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Houston President Of Foundation

At the annual meeting of the Board of Directors of the Thomas Jefferson Memorial Foundation, held in New York, Frank K. Houston, President of the Chemical Bank & Trust Co. of New York, was elected President of the Foundation, succeeding the late Stuart G. Gibboney. Mr. Houston is a native Tennessean and a graduate of Vanderbilt University, of which institution he is at the present time a Trustee. He is also President of the National Board of Trustees of the Sigma Alpha Epsilon Fraternity, and is a Director of many large corporations. He has been Vice-President of the Foundation.

Frank K. Houston

Other officers elected were Henry Alan Johnston, Attorney of New York City, and the Hon.

(Continued on page 2385)

IN THIS ISSUE

Pictures of CORPORATION BOND TRADERS CLUB OF NEW YORK dinner at the Hotel Roosevelt recently appear on page 2366.

ILLINOIS and WISCONSIN dealer activities featured in this issue. For Illinois see page 2370; Wisconsin, page 2372.

General Index on page 2392.

Price Trends And Outlook

By A. W. ZELOMEK*

Economist, International Statistical Bureau, Inc. and Fairchild Publications

Professional Forecaster Predicts Price Declines In Reconversion Period—Does Not Look For Heavy Spending After War Because Of Probable Large Unemployment—Holds People Will Veer To The Belief That The War Boom Is Over And That Deflation Rather Than Inflation Will Be The Short-Term Dominating Factor

We are at the stage in our war economy where it is difficult to make a single forecast to cover a period of several years. On the one hand, there are many indications that we are at the peak of the war economy or have passed it. On the other hand, we still have to bring the Nazis to their knees — although that may be nearer than generally realized — and after that we still have a dangerous foe to lick, which will probably take nine months to a year longer. Therefore we cannot liquidate all the war features of our economy at the end of the European war, and yet we do not need all the equipment to fight the war in the Pacific that we needed for the war in Europe.

A. W. Zelomek

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*An address delivered by Mr. Zelomek before the 29th Annual International Convention of the National Association of Purchasing Agents at the Hotel Waldorf-Astoria, New York City, on May 31, 1944.

(Continued on page 2369)

Production Trends And Outlook

By LEWIS H. HANEY*

Professor of Economics, New York University

Economist Says Trend Of War Production Is Likely To Continue Downward And General Manpower Shortage Will Certainly Be No Worse—Predicts That When The War Is "In The Bag" People Will Not Tolerate Rationing—Holds Prices Will Rise And Profits Will Grow

In considering the production trend and outlook, we should begin by recognizing that the war is the main factor. Perhaps over 60% of the total industrial output consists of war goods. One great future problem lies in the matter of terminating war contracts, and reconverting war industries. The rest of the problem concerns so-called post-war planning, and the question of continuing war controls. It was war that temporarily solved the unemployment problem of the 30's, and peace will threaten a renewal of that problem. War brought inflation to a climax, and the passing of war will intensify the fight against inflation.

Lewis H. Haney

With the foregoing understanding, one may say that the most effective way to consider production trends and outlook at this time is to ask the question, Why not the usual sequence of events attending great wars? Why not a "war boom," followed by a

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*A speech made by Dr. Haney before the twenty-ninth Annual International Convention of the National Association of Purchasing Agents at the Waldorf-Astoria Hotel, New York, on May 31, 1944.

(Continued on page 2380)

Dollars Of Destiny

By ORVAL W. ADAMS*

Executive Vice President, Utah State National Bank, Salt Lake City, Utah

Western Banking Executive And Former A.B.A. President Holds Well-Being And Destiny Of All Free Peoples Centers In The Preservation Of Sound Money And That Loss Of Confidence In Its Money, Or Inflation, Is The Greatest Tragedy That Can Happen To Any Civilized State—Urges 7 Reforms To Curb Govt. Debt Expansion

The invitation extended to me to talk to you on the subject, "Dollars of Destiny," was one I was happy to accept, both because of the pleasure of meeting with you and because of my deep conviction that the basic problem of maintaining the purchasing power of the American dollar more deeply concerns all of us today than anything short of winning the war. That we will win the war is a foregone conclusion; but only statesmanship of the most heroic kind, backed by resolute courage, intelligence, and selflessness, can save the American dollar from becoming a post-war casualty. All sound econ-

Orval W. Adams

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*An address made by Mr. Adams before the Pennsylvania Bankers Association at the Hotel William Penn, Pittsburgh, Pa., on May 24, 1944.

(Continued on page 2374)

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Gov. Dewey Sees A Revival Of State Responsibility

"We Cannot Practice In Peace The Centralization Which Brought About Totalitarianism To Our Enemies And Be Either Free Or Successful," He Declares—Urges Paying More Attention "To What Goes On In The World," And Not Again "Sit On The Side Lines As Mere Observers"—Asks Unity In Peace As In War

Governor Thomas E. Dewey of New York, in an address made on May 29 at the Thirty-Sixth Annual Governors Conference at Hershey, Pa., pointed out the dangers of regimentation and urged a return to State responsibility in the post-war reconstruction period, "so that all possible functions of government in this country will proceed closely to their sources—the people." He also expressed the conviction that "our people are united upon the proposition that our foreign affairs must be conducted so that disasters like the present one will not recur," and that they have "a positive determination to join in preventing future wars."

Gov. Thos. E. Dewey

The text of the address follows:

This conference is a stimulating and reassuring occasion. There are gathered here Governors from 39 States, North, South, East and West. Some of those States are preponderantly Republican, some Democratic. Some are preponderantly agricultural, some industrial. Some are seaboard States, some mountainous, some prairie States.

Each of us, as a Governor, has different problems and to some extent, differing types of people. But out of this immense divergence there comes no sense of confusion. Rather there comes a clear sense of the unity of the American people about the things that really count.

This unity of ours is a precious fact. The world is swept by war and confusion; chaos reigns elsewhere and threatens everywhere; throughout most of the world established institutions have been uprooted and men are bewildered or quarreling about the fundamentals upon which their societies can be rebuilt. At such a time

(Continued on page 2378)

E. C. Thomas With Bullington-Schas Co.

MEMPHIS, TENN.—E. C. (Coke) Thomas is now in charge of the municipal buying department of Bullington-Schas & Co., First National Bank Building, specialists in Mississippi, Tennessee and Arkansas municipals. Mr. Thomas was formerly manager of the bond department of the First National Bank of Memphis, and was a partner in Saunders & Thomas and Thomas & Allen.

This Scrambled World*

By DR. J. ANTON de HAAS

William Zeigler Professor of International Relationships, Harvard University

Economist Predicts "A Tremendous Potential Demand For All Kinds Of Products When The War Stops" Resulting In A Post-War Boom To Be Followed By a Period Of Industrial Decline—Urges An International Post-War Plan For Allotment Of Supplies And Equipment Or "Face Chaos In The World"—Sees Free Competition Still A Long Way Off

Usually when I am asked to speak for some business conference, the program chairman says, "Tell the boys something they like to hear." Your chairman made no such statement. It may be because from past experience he knows that I say what I think regardless of the fact that my audience may not like it. I shall tell you many things tonight with which you may not agree, and some you do not even like to hear.

J. Anton de Haas

But times are too serious and too confused for us to allow ourselves the luxury of living in a dreamland built of things we like. We want to see things as they are and believe me, many of them are not pleasant. Two big questions are in the minds of all businessmen today. The first one is:

Is there going to be a good mar-

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*An address made by Dr. de Haas before the 29th Annual Convention of the National Association of Purchasing Agents at the Waldorf-Astoria Hotel, New York City on May 30, 1944.

(Continued on page 2372)

Blanchard, Snow, Watts New Stock Exch. Firm

The New York Stock Exchange firm of Blanchard, Snow & Watts will be formed on June 19 with offices at 115 Broadway, New York City. Partners will be I. Munro Blanchard, Charles W. Snow, John Watts and Richard R. Thomas, the Exchange member. Mr. Blanchard and Mr. Watts were formerly partners in C. N. Edge & Co.

Remick Returning To Stillman, Maynard Co.

J. Gould Remick will return to his desk at Stillman, Maynard & Co., 61 Broadway, New York City, members of the New York Stock Exchange, about the middle of the month. Mr. Remick, a partner in the firm since 1937, has been serving as a Major in the New York Ordnance Department. He was commissioned in March of 1942.

He has been a governor of the New York Stock Exchange and of the Association of Stock Exchange Firms, of which he was President in 1941.

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Hearing On NASD "5% Spread Philosophy"

We have examined the "Order For Proceedings And Notice of Hearing" made by the Securities and Exchange Commission which fixes June 13th as the hearing date "In the Matter of the Rules of the National Association of Securities Dealers, Inc." A copy of this order giving the text in full, is appended.

Examining the order makes an interesting study.

The Commission recites a series of facts which its "official files disclose." These include:

(a) the registration of NASD under the Maloney Act;

(b) NASD's rule dealing with "high standards of commercial honor and just and equitable principles of trade";

(c) the communications sent by NASD interpreting the "5% spread"; and

(d) the resolution filed by the New York Security Dealers Association and the petition filed by the Securities Dealers Committee.

Then comes the clause in which the Commission defines the scope of the hearing. Here it is:

"The Commission, having considered the aforesaid, deems it necessary and appropriate in the public interest and for the pro-

(Continued on page 2390)

NASD Board Of Governors And The 5% Mark-Up Rule

Officials Failed To Abrogate Widely Opposed Measure At Recent Meeting In This City—Effort Again Made To Justify Mark-Up Policy As "Interpretation"

Despite repeated statements to the contrary by its sponsors, it has long been evident that a large number of the members of the National Association of Securities Dealers hold to the belief that the so-called "5% spread philosophy" promulgated by the Association's Board of Governors is definitely a rule, a position long held by the "Chronicle." Accordingly, as this publication has continuously maintained in its editorial discussion of the subject, the directive is definitely illegal as the by-laws of the Association require that the membership be permitted to vote on any rule. Despite this injunction, the Board of Governors failed to give the membership an opportunity to consider the proposal and has attempted to justify its illegal act by advancing the specious claim that, rather than a rule, the mark-up policy is merely an "interpretation" of the Association's rules of fair practice. It is perfectly clear, however, that the efforts of the Board of Governors in this direction have been singularly abortive. No better evidence of this fact is available than that contained in a letter sent under date of May 18 last by

(Continued on page 2391)

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Gov. Bricker Calls For Post-War Balanced Budget

"The Pre-War Federal Policy Of Spend, Waste, Borrow And Tax Will Wreck American Economy," He Declares —Urges (1) Strictest Economy In Government; (2) Collaboration Between Federal, State And Local Governments To Segregate Tax Basis; And (3) Reservation Of Certain Taxes To Local Governments In Lieu Of Subsidies—Favors Baruch-Hancock Plan Of Tax Reduction

Gov. John W. Bricker

In an address delivered before the Thirty-Sixth Annual Governors Conference at Harrisburg, Pa., on May 30, John W. Bricker of Ohio, Republican Presidential aspirant, severely condemned the centralization of power in the Federal Government as leading to "the paralysis of State and local government," and as opening the doors "to absolutism and every form of demagogy." He stressed particularly the need for greater economy and a balanced budget in Federal operations, and a complete overhauling of tax policies so as to "aid and encourage rather than suppress American enterprise."

The text of Governor Bricker's prepared address follows:

Our representative system of government has responded amazingly to the crisis of war.

The dictators have said that the democracies were decadent. They had proclaimed to the world that a free people could not be welded together into a strong, united and determined nation. American ingenuity has belied their accusations.

We have built, almost overnight, the mightiest Army and Navy in the world. American in-

(Continued on page 2386)

U. S.-British Post-War Relations

Don Bliss

"Just now I suggested that the British and American peoples, working through their Governments, can discover and work out an agreement on their mutual economic problems," said Don C. Bliss, Jr., Commercial Attache to the American Embassy in London in an address made before the Commerce and Industry Association, New York City, on May 23, 1944. "I think," continued Mr. Bliss, "that the scope in which we can agree to our mutual advantage is far more extensive than some of the current discussions would suggest — and by current discussion I mean unilateral discussion, when we are speculating among ourselves as to what the British are up to, or when the British are trying to appraise American attitudes. There is quite a list of situations in which American and British interests are not automatically identical, for one reason or another, but we haven't time today to cover that particular waterfront. Let us consider just one, taking it as an example—the issue of bilateralism vs. multilaterialism as a feature of basic economic policy. To take an analogy familiar to us, let us assume that we are talking about the United States, that Great Britain is Vermont, that American is New York State, and that there are trade barriers between the states, —tariffs, quotas and other arrangements whereby each state endeavors to protect its own economic position. This is an oversimplification, but let us say further that Vermont has only maple sugar to sell, while New York is the only source of imported coffee. Vermont of course wants quite a

(Continued on page 2385)

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Small Business Fate Vital Issue In NASD 5% Mark-Up Rule

Abrogation Of Measure Essential To Preserve Markets For Securities Of Small Corporate Entities, Dealers Assert

While there is a difference of opinion, even among well-informed circles, as to the probable trend of conditions in the post-war period, there is one premise on which there is complete unanimity. This concerns the extent of the contribution that small business must make in the tremendous task of providing the fullest employment in peace years. Even so-called big business freely concedes and recognizes this principle. Such being the case, it is axiomatic that these smaller enterprises which, by and large, have necessarily suffered because of war conditions, must be favored in every way possible in order to grow and expand. A cardinal necessity here, naturally, is the creation and maintenance of markets for their securities, completely devoid of any artificial impediments.

Unfortunately, however, there is substantial reason to believe that the widely opposed 5% mark-up rule of the National Association of Securities Dealers is calculated to materially interfere with the normal functioning of such markets. This fact has been emphasized time and again by securities dealers in various parts of the country, whose views on the subject have been published in these columns regularly since our issue of April 13. While there have been expressions to the contrary, the overwhelming majority contend that the 5% rule, if it stands, will seriously impair the markets for existing securities of small corporate enterprises and make it extremely difficult for these and similar units to obtain new capital accommodation. In this connection, we give here additional expressions in the matter and these, incidentally, constitute the remaining unpublished balance of the hundreds received on the subject. We would call attention to the fact that the name of the city or town preceding the dealer's comments was obtained from the postmark appearing on the envelope in which the questionnaire was returned. In cases where publication of the name of the community would tend to identify the firm (as in places where only one firm exists), the point of origin is indicated by using the phrase, "A Small Maine Town," as an example, or its equivalent.

NEW YORK CITY

There will be no market for such securities.

BOSTON, MASS.

There won't be any market for them as the big brokers won't bother with dealers in that type of security. All this move is only to drive the little man out of business.

PATERSON, N. J.

There are many cases when I do not charge 5%, but there are many other situations where I put in much time and money for research and it is necessary to charge over 5% to cover the overhead. In these cases it has proved that the additional charge over 5% was well worth while. I do not sell packaged items, such as investment trust shares, where the dealers just tacks on 5%, but does no research. Just as in any line of business, you get just what you pay for. If the dealer has the interest of his clients in mind, he will not overcharge. If he does, he will eventually put himself out of business. If he is limited to 5% then he cannot afford to put in the time and money for

(Continued on page 2388)

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Courts & Co. Admits Carter As Partner

Hugh D. Carter

ATLANTA, GA.—Courts & Co., 11 Marietta St., N. W., members of the New York Stock Exchange, have announced that Hugh D. Carter, Jr., has been admitted as a general partner in their firm.

Mr. Carter, who is a native of Atlanta and a graduate of Georgia School of Technology, has been connected with Courts & Co. since his graduation from Princeton University in 1925. Mr. Carter is a member of Capital City Club, Piedmont Driving Club, Kappa Alpha Fraternity, and Princeton Charter Club.

Admission of Mr. Carter to partnership in Courts & Co. was previously reported in the Financial Chronicle of May 18th.

E. W. Marshall Joins Goldman, Sachs & Co.

Announcement is made that Edward W. Marshall has become associated with Goldman, Sachs & Co., 30 Pine Street, New York City, members of the New York Stock Exchange, in its buying department. Since 1942 Mr. Marshall has been with the War Production Board, Office of Civilian Requirements, in the capacity of Acting Director, Appeals and Order Clearance Staff and Special Assistant to the Vice-Chairman. Prior to joining the WPB he was Vice-President and Director of Boston Fund, Inc.

Vilas & Hickey Admits Three To Partnership

Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock and Curb Exchanges, will admit Royden E. Jacobus, John H. Printon and George E. Richardson to partnership in the firm on June 15.

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Laurence Hayes Forms Own Firm In Rochester

ROCHESTER, N. Y.—Laurence A. Hayes has formed Laurence A. Hayes Co., with office in the Powers Building, to act as dealers and brokers in unlisted securities.

Mr. Hayes was formerly with the Genesee Valley Securities Co., H. O. Wallace, Inc., and Delmonaco, Hayes & Co.

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722 Relief Decision Evokes Interest

Involves Recovery Procedure Under Relief Section

By PETER GUY EVANS, C.P.A.

Member of New York Bar; Lecturer on Taxation at Columbia and Rutgers Universities

A great deal of interest was expressed in the recent decision of the Tax Court of the United States in the Uni-Term Stevedoring Company, case, one of the Court's first decisions involving the interpretation of the procedure to be followed in connection with the recovery of claims for refund of excess profits tax under Section 722, the so-called relief section.

Peter Guy Evans

Specifically, the ruling holds that the Tax Court will not try corporate claims for refund of excess profit tax until they have been first ruled upon, in accordance with law, by the Commissioner of Internal Revenue.

The Court emphatically pointed out that all cases involving tax deficiencies will be adjudicated as they come for trial, but interjection or offset of relief claims filed, but not yet ruled upon by the Commissioner, will not be permitted. In other words, if a corporation has been assessed an additional tax, and it has also filed an appropriate relief claim for refund, the Court will only rule on the deficiency. Later, should the taxpayer appeal from the Commissioner's action of the relief claim, the Court will hear the case accordingly.

722 Claim Filed

The Corporation filed on Sept. 15, 1943, Form 991, "Application for Relief Under Section 722 of the Internal Revenue Code," claiming a refund of $83,669 for the year 1940. This is the exact amount that the Commissioner determined to be due from the taxpayer for 1940. On April 5, 1944. when its case came up for trial the Corporation interjected its relief claim as an offset against the deficiency, claiming that the Court had the power to hear the claim despite the fact that the Commissioner had not acted on same. Since no excess profits tax had ever been paid by the taxpayer for 1940, the Commissioner did not act upon the Application because there was nothing to refund.

Procedure Premature

In concluding the Court's decision, Judge Murdock pointed out that there had been neither payment of the tax nor action by the Commissioner. The taxpayer's request that the Court take jurisdiction in the proceeding over the question of relief under Section 722 is premature, and "consequently is not in position to ask for any relief."

The Corporation contended that should it be compelled to pay the additional excess profits tax. it would be barred from later suing for refund of excess profits tax overpaid. The Court disputed such contention and assured the Corporation that it could sue later for overpayment.

"If the Commissioner disallows a claim for refund, the sending of a notice under Section 732(a) is mandatory," the opinion reads. "The same section also expressly provides that the petitioner (taxpayer) upon receipt of such a notice, may invoke the jurisdiction of this Court.

"If the Commissioner should act favorably upon this petitioner's claim for refund, the petitioner would be entitled to receive the refund or sue for it, or, if it were held by this Court in a later proceeding that the petitioner is entitled to relief under 722, this Court would find an overpayment."

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JUST as the Army needs observation posts to obtain the military intelligence necessary for effective operations, so do many dealers require a similar advance post which can provide them with accurate investment "intelligence".

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Reed Drug Com. Offered By Floyd D. Cerf Co.

An issue of 25,000 common shares (par $1) of the Reed Drug Co. was offered June 6 by Floyd D. Cerf Co., Chicago, at $3.75 per share. The sale of this stock does not represent new financing and none of the proceeds will accrue to Reed Drug Co. The company is engaged in maintaining and operating a chain of retail drug stores located in Milwaukee West Allis, Racine, Kenosha and Janesville, Wis.; Chicago, Rockford and Springfield, Ill. and Gary, Ind., through which it sells at retail, drugs, pharmaceutical products, smoking materials, candy, specialties and sundries.

Sales for the calendar year 1943 aggregated $2,748,611, an increase over 1942 when $2,695,960 was reported. Earnings per common share in 1943 was 59 cents as compared with 64 cents in 1942.

Washington Dodge Is With Roberts & Co.

Roberts & Co., 61 Broadway, New York City, members of the New York Stock Exchange, announce that Washington Dodge is now associated with them. Mr. Dodge formerly was a partner of Arthur Wiesenberger & Co., and prior to that was financial editor of "Time" magazine.

Washington Dodge

Substantial Improvement

Wood, Gundy & Co., Incorporated, 14 Wall St., New York City, have prepared an eight-page pamphlet outlining the substantial financial improvement that has marked the operations of the Canadian Pacific RR. over the past five years; this is illustrated by graphic comparisons of 1938 with 1943. Copies of the pamphlet may be had upon request from Wood, Gundy & Co.

AMERICAN MADE MARKETS IN CANADIAN SECURITIES

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Interesting Rail Situation

Adams & Peck, 63 Wall St., New York City, have prepared an interesting circular on Boston & Albany RR., which appears attractive at the present time, the firm believes. Copies of this circular may be had from Adams & Peck upon request.

N. Y. Corporation Bond Traders Dinner

Photographs by Jack Germain

Brazil Transfers $42,000,000 To Meet Initial Payment On Dollar Loan Issues In U. S.

It is announced that Brazil has just transferred to this country more than $42,000,000 to meet the initial payment of its foreign obligations represented by dollar loan issues in this country amounting to $286,065,645. The new arrangement is the result of Brazilian Decree Laws 6019 and 6410, dated Nov. 23, 1943, and April 10, 1944, respectively, which determine the two plans A and B worked out in cooperation with the Foreign Bondholders Protective Council, Inc. (New York). These plans will be offered to the bondholders when the registration statement becomes effective. The announcement also says:

"Signing of the necessary documents was held today (June 7) in the presence of representatives of Brazil and of the various banking interests.

"The following documents were signed: (a) general bond; (b) agreement with 10 fiscal agents covering 31 different issues; (c) registration statement; (d) prospectus; (e) offer to holders of dollar bonds; (f) agreements with fiscal agents on fees and general expenses, and (g) agreement with the National City Bank of New York, which will act as depositary.

"The documents will carry the signature of Romero Estellita as the legal representative of the Minister of Finance, and who will sign in behalf of the United States of Brazil.

"Valentim F. Boucas and Claudionor de S. Lemos, member of the Council on Economy and Finance of Brazil, and General Comptroller of Brazil, respectively, also signed the documents, not only as witnesses, but as the principals responsible for all the work that has been carried out for the last six months in this country."

Mr. Boucas said: "This is in fact the most important financial operation of its kind in this country and shows the real and comprehensive way of a 'good neighbor' policy working in both directions.

"We all understand the enormous anxiety of all the bondholders to see this put into effect, but I am sure they will realize that because of the many complications and number of parties involved it was not possible to complete the program any sooner."

According to the announcement, to put into operation immediately the present plan the Brazilian Government issued checks amounting to approximately $33,000,000. Of this amount, $25,000,000 will pay the interest due up to July 1, plus a substantial amount on account of principal, and $8,000,000 will be advance sinking fund money. This latter payment would not normally be due for some time. The greater part of the paying agents' expenses were also paid.

Mr. Boucas also stated: "All this is a result of the financial policy adopted by President Getulio Vargas and has been made possible through the great ability of its Minister of Finance, Artur de Souza Costa, who has been in this country on several very successful financial and economic missions."

On Board of Sterling Bank

Herbert P. Luce

Herbert P. Luce has been elected a member of the Board of Directors of Sterling National Bank & Trust Co. of New York, it is announced. Mr. Luce is Vice-President of United Cigar-Whelan Stores Corp.

NSTA Members To Aid In 5th War Bond Drive

The 2,200 members of the National Security Traders Association, Inc., are again being enlisted for participation in the forthcoming War Loan Drive along the lines of their efforts in the last drive, according to an announcement by Wm. Perry Brown of Newman, Brown & Co., New Orleans, President. According to present plans, the traders will concentrate their efforts in the professional investment field and will make a thorough canvass of every possible purchaser of War Bonds. John E. Sullivan, Jr., of F. L. Putnam & Co., Inc., Boston, heads the group's Special War Bond Committee and will direct the drive. The Association has 2,200 members located principally in 23 of the largest financial centers of the country.

Situations of Interest

F. H. Koller & Co., Inc., 111 Broadway, New York City, have prepared a comprehensive analysis on Great American Industries which the firm believes appears attractive at current levels. Copies of this interesting analysis as well as circulars on Bartgis Bros. and United States Lumber may be had upon request from F. H. Koller & Co.

Public National Attractive

Stock of the Public National Bank and Trust Company of New York offers interesting possibilities for investment, according to a memorandum issued by C. E. Unterberg & Company, 61 Broadway, New York City. Copies of this memorandum outlining the situation may be had upon request from C. E. Unterberg & Co.

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1st & Ref. 5s, 1973 "C"
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Railroad Securities

Apparently the first trial balloon released by the Baltimore & Ohio management in an attempt to settle the still burdensome maturity problems of the next ten years received a cool reception. Reports indicate that the larger institutional holders were approached with a proposal to extend the maturity of the 1st 4s and 5s, 1948 for a term of 40 years. At the same time the RFC loan was to be extended for the statutory limit. However, it was contemplated that the Southwestern Division 5s, 1950 and the Pittsburgh, Lake Erie & West Virginia 4s, 1951, outstanding in the aggregate amount of more than $74,000,000, should remain undisturbed.

It was hardly to be expected that holders of the 1st mortgage bonds, in their preeminent position, would look kindly on such a one-sided proposal. These First Mortgage bonds not only have a lien on some of the heaviest density and most important mileage of the system, but, also, they are secured on the company's equipment, subject, as to certain units, to outstanding equipment obligations. In the first place, the proposed maturity extension is for too long a period to be attractive to the institutional holders. In the second place the contemplated plan would extend the life of the bonds beyond the due date of close to $179,000,000 of system bonds now having a later maturity than the 1st Mortgage bonds. The maturities thus having their position relatively improved would include even the unsecured Convertible 4½s, 1960.

The cool reception accorded the initial proposal is not taken too seriously, however, and there is little question in the minds of most rail men who have followed the situation but that a more equitable compromise will be worked out within a reasonable time. It is possible that an agreement may be reached before the end of this month. Any such plan will inevitably also have to include satisfactory sinking fund arrangements—it is likely that at least another $100,000,000 of debt will have to be retired before the road may be considered on a truly firm credit standing. This is exclusive of $28,700,000 of publicly held 4% Notes, 1944, which it is expected will be paid off in cash this year.

Although the maturity aspects of the proposed plan were surprising as well as disappointing, the treatment outlined for the junior mortgage bonds was in line with earlier expectations. The fixed portion of interest on the bonds would be doubled over the amount received under the Chandler Act readjustment now in effect. The 5s would receive 2% fixed interest and 3% secured contingent interest and the 6s would receive 2.40% fixed and 3.60% contingent. On the basis of such treatment these bonds are considered in many quarters as the most attractive speculative media in the rail bond list.

Through its debt retirement program of recent years Baltimore & Ohio has reduced its fixed charges to around $18,000,000 and total fixed and contingent charges to around $27,500,000. Of this total, $4,000,000 is represented by unsecured contingent interest which is junior to the contingent portion of interest on the Refunding & General Mortgage bonds. If the publicly held 4s, 1944 are paid off this year the reduction in fixed charges would just about offset the increase in fixed requirements contemplated in the interest readjustment on the Refunding & General Mortgage bonds.

Fixed charges of $18,000,000 would absorb less than 11.4% of average 1938-1940 gross revenues. During the depression decade Baltimore & Ohio carried an average of 16.7% of gross through to net operating income before income taxes and even in its poorest year, 1938, carried through 11.1%. In addition, even in the poorest years non-operating income has run around $6,500,000. Obviously, then, even under the most stringent conditions that could be expected post-war the company would have little difficulty in covering these requirements. In fact it is notable that allowing for the minimum non-operating income of $6,500,000 the total of fixed and secured contingent interest would absorb only 10% of 1938-1940 gross, a modest burden for a property inherently so efficient as the B. & O.

Robert K. Bourne Is With Geo. H. Grant Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—Robert K. Bourne has become associated with George H. Grant & Co., Russ Building. Mr. Bourne was formerly manager of the trading department of the San Francisco office of Merrill Lynch, Pierce, Fenner & Beane, and prior thereto was in charge of the bond trading department of Hannaford & Talbot.

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Lehman Brothers Offers National Airlines Com.

Lehman Brothers made a public offering June 7 of 113,333⅓ common shares (par $1) of National Airlines, Inc., at $13.75 a share. The issue will provide the company with working capital for expansion.

The Civil Aeronautics Board has granted to the company authority to establish a new route between Jacksonville, Fla., and New York City, and this will be started as soon as additional flying and ground equipment are available. The company has other applications pending to expand its present routes.

The stock issue will bring the outstanding common issue to 500,000 shares.

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Beatrice Creamery Shares Placed

Glore, Forgan & Co. announced June 5 that the 7,998 shares of Beatrice Creamery Co. common stock ($25 par), representing the unsubscribed balance of 100,433 shares offered to common stockholders in ratio of one new share for each four owned have been sold.

The company will use the money received from this offering to redeem on Aug. 1 at 105.50 a share, 29,788 shares of $4.25 preferred stock or approximately one-third of the amount outstanding. The balance of the funds needed for this purpose will be taken from working capital.

Under the terms of the preferred stock issue, the company is required to purchase or redeem within 120 days after the close of the fiscal year ended Feb. 20, 1944, and each fiscal year thereafter an amount of preferred stock equal to 30% of the excess of consolidated net income over $750,000, with a limitation of $200,000 a year. This year the directors plan to retire about one-third of the preferred.

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Real Estate Securities

By JOHN WEST

Realty Gains Due To Be Maintained For Coming Year Survey Indicates A Further Stiffening of Residential Market

London Terrace, Inc., Shows Increased Income As Result Of Improved Realty Conditions

The first two headlines of this article appeared in the New York "Times" Sunday, June 4, the other headline, the subject of this article, gives a concrete example of the advantages of efficient management under improved conditions.

London Terrace, Inc., reported optimistically on May 20, 1944, to First Fee and General Mortgage bondholders who also have about 60% equity interest in this well known New York City property which has 1,510 rooms, divided into 700 apartments of which 620 are one and two room units. We quote from the report.

"We are pleased to report that, in addition to the payment of six months' fixed interest of 1½%, there is now also being paid income interest of 2% on the outstanding bonds. This additional payment is possible because of the considerable increase in the earnings of the corporation for such fiscal year. The amount paid as income interest is applied as follows: 1% to the payment of cumulative income interest with respect to the fiscal year just ended and 1% on account of the unpaid cumulative income interest for preceding fiscal years. As a result, the deficiency in cumulative income interest as of March 31, 1944, is reduced to $161,175 as compared with the deficiency as of March 31, 1943 of $214,000.

"In our last annual report, you were informed that the operation of the End Units by an outside management agency was terminated as of Jan. 31, 1943. Since that date, the End Units have been operated under the direct management of the officers of your corporation. We also stated that this type of management would result in economies and improvement in net operating income. The results are best illustrated by the following comparative figures for the past fiscal year and the fiscal year ended March 31, 1943.

Increase in total income from rentals, etc.	$90,039.80
Net decrease in operating expenses	35,276.83
Decrease in loss on removal of gas refrigerators	7,014.11
Total	$132,330.74
Less increase in real estate taxes	2,520.00
Net improvement in operating results (before depreciation)	$129,810.74

"It is noteworthy that a reduction in operating costs and expenses was accomplished concurrent with a considerable gain in income and occupancy and notwithstanding the higher prevailing operating costs affecting real estate in general. Specifically, London Terrace, Inc., experienced the effect of increased wage rates resulting from the general wage award, effective April 21, 1943 and the uncontrollable increase of nearly $12,000 in heating costs because of the necessity, due to war conditions, of discontinuing the use of our own steam heating plant and of purchasing steam from the New York Steam Corporation.

"The property became subject to rent control on Nov. 1, 1943. On that date, the rental schedules were adjusted to the rentals in effect on March 1, 1943, with such modifications as have subsequently been made with the approval of the OPA. The substantial improvement in rental income did not arise, therefore, from increases in the rental schedule; but is directly attributable to the increased occupancy and to the continuation of the policy of furnishing apartments.

"The property continues to enjoy occupancy of practically 100%. In the absence of a substantial change in conditions during the current income period, it is anticipated that the earnings of the property for the fiscal year ending March 31, 1945, will show further improvement."

As earnings for the fiscal year ended March 31, 1944 were about 5⅞% before capital improvements on funded debt and as the corporation indicates further improvement for the current fiscal year, it appears that the outstanding First Fee and General Mortgage bonds carrying about 60% of the equity stock offer considerable appreciation possibilities from their present level of around 55.

Invasion Temporary Market Factor, Firm Believes

The invasion will prove to be a temporary and minor market factor (unless there is a military catastrophe, which seems in logic rather improbable), Newburger & Hano believes, in an interesting memorandum discussing the change in public psychology which is being reflected in the response of the market. The firm declares the belief that our post-war fears will yield to a rising optimism, and it seems that the future may see a profound change in stock and bond prices, which have risen and fallen with the rise and fall of capitalists' confidence. Copies of this interesting memorandum may be had upon request from Newburger & Hano, 1419 Walnut St., Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges.

N. Y. Analysts to Hear

At the meeting of the New York Society of Security Analysts, Inc., on June 9, Duncan R. Linsley of the First Boston Corp. will speak on "Highlights and Sidelights in the Underwriting of Public Utility Securities."

George H. Sibley, Vice-President of Squibb & Sons, will be speaker at the meeting on June 12.

All meetings are held at 56 Broad St., at 12:30 p. m.

UTILITY PREFERREDS

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Public Utility Securities

Standard Gas & Electric Plan to be Amended

The recapitalization plan of Standard Gas & Electric Company, to conform to Section 11 of the Utility Act, was submitted to the SEC in March, 1943, and was conditionally approved by the staff in November, but has now been rejected by the Commission. The company will have 90 days in which to amend the proposal to conform to the Commission's views.

However, the Commission sustained the major point in the plan—that although the holding company is solvent, it need not retire its bonds entirely with cash, but can make a partial distribution of stock holdings in subsidiaries provided the total value of the "package" is ample to assure the bondholders receiving par (the Commission has always disapproved of paying redemption premiums in holding company dissolutions).

The Commission disapproved inclusion of new "A" common in the package, and suggested instead "that the portion of debt not paid off in cash and portfolio securities could be compensated by modified debentures or a new issue of short-term debentures of the holding company providing for a rapid retirement by the application of earnings and proceeds from any future sales of assets."

The Commission pointed out that Standard Gas is now in a better position to dispose of certain assets than 15 months ago when the plan was first broached. At that time Standard's holdings in California Oregon Power, Mountain States and Pacific Gas & Electric were apparently the only holdings readily available for sale or distribution to bondholders. However, since that time the set-up of Oklahoma Gas & Electric and the financial position of Wisconsin Public Service has materially improved "so that we could sanction their distribution on suitable terms."

The Commission indicated its definite findings that the present common stock has no value, and based on this the New York Stock Exchange has now suspended trading in the issue. The position of the $4 (second) preferred stock remains somewhat uncertain, the question as to whether it can participate being left open.

Another point left unsettled is the status of the securities of Standard Power & Light Corp. This is the "parent" of Standard Gas (other holding companies such as U. S. Electric Power and H. M. Byllesby & Co., together with certain affiliated interests such as United Founders and a banking group, have now been pretty well eliminated as top holding companies). The Standard Power & Light bonds were assumed by Standard Gas some years ago, but the SEC and the courts have never passed on the question whether the bondholders still have any legal claim on the assets of Standard Power & Light. Presumably, however, this question will be disposed of when this issue is retired along with other Standard Gas debentures, under a modified plan. This would remove the "cloud" on the claim of Standard Power & Light preferred stockholders to the company's assets, which consist largely of Standard Gas preferred. The preferred sells currently some 13 points higher than Standard Gas $7 preferred, reflecting ownership of a larger number of shares than its own.

It will be difficult to appraise the exact position of Standard Gas prior preferred stocks until the new plan is forthcoming. Share earnings have fluctuated widely in the past and may continued to do so. If the system is broken up at a nearly date, the Federal tax burden might increase substantially, since subsidiaries would no longer enjoy the benefits of a consolidated system return. On the other hand, relief from the excess profits taxes after the war might more than offset this factor. In the calendar year 1943, $12.12 was earned per share on the prior preferred stocks, compared with $12.05 in the previous year, and relief from excess profits taxes would have increased this by half or more. The company has benefited substantially from war industry operations in its territory and may lose substantial revenues after the war. Any forecast of future values would depend on the relative weights assigned to these favorable and unfavorable factors.

Attractive Situations

Panama Coca-Cola Bottling and Coca-Cola Bottling Co. of New York offer interesting situations according to circulars being distributed by Hoit, Rose & Troster, 74 Trinity Place, New York City. Copies of these circulars may be had from the firm on written request.

Also interesting at current levels is Butterick Co., Inc. A circular discussing this situation may also be had from Hoit, Rose & Troster on written request.

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Price Trends And Outlook

(Continued from First Page)

There is also the question of how far Government controls will be relaxed or eliminated with the end of the European war and while the Pacific war is still being waged. We must also determine how soon our military government will allow free enough rein in the liberated countries to resume normal civilian activity there.

Despite these uncertainties it is possible to indicate probable price trends between now and the end of the European war, and between the end of the European war and of the Japanese war, during what I term the reconversion and readjustment period. It is also possible at this early stage to indicate some of the post-war prospects for prices, after the end of both phases of the war. Within the time permitted me I shall devote most of my discussion to the period between now and the end of both wars, German and Japanese.

In line with my general policy of sticking out my neck first and then explaining, I will indicate here what I expect.

1. The peak of wartime wholesale prices has probably been seen. Any further gain in the composite index will be very nominal. It is certain that agricultural prices, for example, which have probably advanced the most, have already seen their peak, and in view of Government price control, semi-processed and processed items will hardly advance much further.

2. Prices will decline during the reconversion period between the end of the European war and of the Japanese war. The decline may start in earnest before the armistice is signed. In wholesale prices the decilne may easily average 5% to 10%, with the reaction more marked in some groups. I might point out that very few groups will escape lower levels during this decline, but that the main generating force will be a decrease in agricultural commodities. The decline will vary with the economic position of the individual commodity, rather than according to price control. However, the decline in agricultural prices will be retarded by loan and parity levels.

3. Prices will then recover. This gain will be considerably less than the inflationary gain in 1919-1920 and will not result in runaway prices. It will be followed by a stable price trend for 3 to 5 years.

With the peak in the war economy reached, it is natural that price-raising influences are weakened. A study of the factors responsible for the wartime price rise will show very clearly that most of them will have lost their influence as soon as the European war is over. In fact, a number of them have already lost their potency. The war period price rise was caused largely by the following major factors.

(a) Tremendous consumption of materials by the munitions industries, backed up by the outpouring of billions of dollars in war expenditures by the Federal Treasury.

(b) Increased purchases of most goods by consumers as their incomes rose.

(c) Rising costs of production.

(d) Setting of higher prices to encourage production or imports.

(e) The building of stockpiles as safety reserves.

(f) The lagging increase in output, relative to consumption, of many commodities because of the time necessary to expand capacity.

(g) The curtailment of imports either by loss of foreign sources to the enemy or by lack of shipping.

I do not include the startling increase in the volume of money and currency, considered separately, as a major factor. People have generally bought what they wanted because they had the money to do so, but they have not tossed their money away without regard to values merely because they were worried about inflation. It remains a potential rather than an actual threat.

A review of the reasons for the wartime price rise clearly indicates that most of the influences are weakening. Within a few months most of the factors I have mentioned will in varying degrees lose their effectiveness as price-raising influences. Some of them, indeed, will go into reverse. An example of this is the consumption of materials by the munitions industries. By August or September at the latest, I believe that total war expenditures will turn downward as munitions output hits its peak and declines. From then on, Government requirements of metals and other basic war materials will shrink. National income will decline along with war expenditures. Hence consumer buying is bound to be adversely affected. While there may be exceptions, I doubt that business demand occasioned by deferred depreciation, replacement and capital requirements, and foreign demand for rehabilitation will offset declining military needs immediately after Germany is beaten. Certainly at that time also there will be an end to price rises to encourage production or imports, and to the building up of stockpiles.

In some lines productive capacity is still growing as a result of completion of wartime emergency expansion. Furthermore, in many industries productive capacity will continue to rise after the war as fast as new processes and discoveries are applied to the production of civilian goods. Hence, production capacity is reaching unprecedently high levels just when peak war requirements are on the verge of turning down, thus reversing the lag in output relative to consumption of many commodities.

Finally, the import situation is already improving and will become very much more favorable as the war approaches its end. After that, of course, we can have foreign supplies in any quantity that our international trade and political policies will permit.

It is true that some costs of production will not immediately decline, but will rise further or readjust only after a considerable lag. This will be the case of wage costs and overhead, both of which will retard the price decline.

During this century nations and groups have attempted to circumvent the law of supply and demand. This has proved to be ultimately impossible. The history of the Stephenson Act in rubber, the Japanese silk control in that commodity, our own Federal Farm Administration control of cotton, are all too recent to need elaboration. In each instance the increasing supply of the commodity ultimately broke down the attempted controls. We must therefore determine the position of supply and demand in coming months.

While we find that demand prospects will continue favorable for a while longer, the outlook is definitely for a sharp decline after the end of the European war. However, of still greater importance in this price equation is the supply outlook. We are definitely going into an era of excessive supply. The shortages of today will become the surpluses of tomorrow. Commodities that are now inadequate will become plentiful. I doubt whether anyone has a true conception, for example, either of the increasing production of raw materials that has developed in this country, or of the output we have encouraged abroad and which is available to us. These supplies will continue to press on the market. Having just finished a study of war surpluses I am really surprised at the prevailing belief that shortages will develop in the readjustment period.

There is no unanimity of opinion regarding the extent and duration of the decline in prices between now and the final liquidation of the Japanese war. Those who say that prices may not decline point to the tremendous pent-up demand in this country and abroad. While prices did gain during the war, they point out, they were well controlled, and as controls are removed prices will reflect the advances which would have occurred during the war period. It is further contended that supplies are not burdensome and that production cannot be increased rapidly enough to take care of needs. There is also the usual stress on the tremendous savings, huge deposits and easy credit, as helping to sustain demand.

Against this there is the fact that out of our total production at least 55% is for war, and that over half of this will be liquidated as soon as the European war is over. Furthermore, public demand is not going to manifest itself immediately. Even though there is great pent-up desire for many things, much of it will not be translated into demand when there is uncertainty about employment, especially after the weekly income of those still employed is deflated at least one-quarter by the elimination of overtime and Sunday work. Job security is probably more important from the standpoint of normal buying than accumulated savings.

Moreover, Government surpluses which can be used for civilian purposes may approximate 15 billion dollars. While these may not be pressed on the markets, they will continue to overhang them. This amount is exclusive of Government holdings of important war materials abroad.

In addition, foreign producers have expanded output and will strive to increase their own markets. While European needs will be great, they cannot be expressed in normal demand until the European countries become politically stabilized. Foreign balances in this country are large, but not in relation to needs, and it is questionable whether all bars to the use of these funds will be lifted immediately and credit liberally extended.

It is true that the monetary structure is inflated, in that the amount of money in circulation is huge, demand deposits are large and the debt structure is heavy. Nevertheless, the public has been smart and has not fallen for the constant talk of inflation wherein the dollar will buy less and less. With bad fiscal management in the post-war period, however, this could become an important factor in the longer-term outlook.

I have tried to indicate generally some of the pros and cons of the price structure during the reconversion period. I wish to go on record as stating that I agree with those who contend that a decline cannot be averted. I am convinced of the basic importance of psychological factors in economic movements. As Government contracts are cancelled and unemployment gains while reconversion is taking place, psychological factors will become adverse. People will veer to the belief that the war boom is over and will become over-cautious. Extreme caution will tend to aggravate the decline until there is a proper appraisal of what may be expected in the future. It seems, therefore, that deflation rather than inflation will be the short-term dominating factor.

I hope you will invite me again to speak at one of your future conventions where I shall have a chance to discuss what you are faced with for the longer-term outlook.

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NOTE—*From time to time, in this space, there will appear an article which we hope will be of interest to our fellow Americans. This is number thirty-five of a series.*

SCHENLEY DISTILLERS CORP., NEW YORK

News Out of India

Foreign news dispatches tell us that the Madras Government in India has suspended the Prohibition Act. It was enacted in 1939, and it prohibited the sale and consumption of intoxicating liquors in four important provinces.

No, we didn't gloat with glee because we have a job with a distillery, but we dug-in to find out why the Madras Government suspended the Act, and—got the answer. Prohibition in Madras created a steady increase in illegal distillation, accompanied by many of the well-known offenses. Penalties did not curb violations. The Government also discovered that badly needed war funds went elsewhere instead of into its coffers. So, on January 1, 1944, legal liquor shops were re-opened in the four districts where, since 1939, *Prohibition did not prohibit.*

We believe that the average man and woman really views the subject as not being a question of wet and dry, but rather as a question of *legal and illegal* liquor. And, surely, if one is not entirely satisfied with our own experience—in this country, one can gather a lot of corroborative evidence from other countries, namely, Russia, Sweden, Norway and Finland. And then add the Canadian Provinces of Alberta, British Columbia, Manitoba, New Brunswick, Nova Scotia, Ontario, Quebec and Saskatchewan. All these have experimented with Prohibition and all of them have found the experiment "ignoble."

Color, race, creed, and geography don't seem to make much difference. We ought to learn something from that and profit from our learning. Some sage once said, "There are three kinds of men, the wise, the part-wise and the unwise. The unwise man never learns anything; the part-wise man learns from his own experiences; the wise man learns from the experiences of others."

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Chicago Brevities

Local investment houses have reported an increasing interest recently in the over the counter trading in Chicago bank stocks. Although banks throughout the country have been making good profits, the Chicago institutions seem to have had an enviable earning record in recent years.

Of the 18 leading Chicago banks, a survey recently indicated, 8 have increased their capitalization through stock dividends in the last 18 months. This has encouraged investors to believe that a number of the others will soon follow the same procedure.

Although the quotations on the bank stocks have advanced in the year and a half period, earnings assets per share have also had a sizeable upward movement at the same time—and traders point out that the stocks are only now recovering from the losses taken in the severe decline of early 1942.

* * *

Another important trend in Chicago banking has attracted the interest of Chicago security dealers. That is the approaching end of the excess profits tax carryover of the banks. It is expected that a number of the more profitable local institutions will be in a much heavier tax category by the end of 1944.

As a result, some of the forward looking bankers have already begun a significant shift in their portfolios of government obligations, from taxables to those partially or wholly tax exempt.

When more banks—through necessity—find themselves in the same predicament, it is expected that there will be a heavy drain of the constantly shrinking supply of tax exempt bonds outstanding, as banks absorb tremendous quantities of the obligations.

* * *

Traction news—that old perennial—is again the subject of much conversation in the financial houses here.

The latest development in the long-continued tangle that is Chicago's transportation system was the refusal, last week, by four groups representing first mortgage bond holders of the surface lines to consider the federal court's suggestion that they cut the size of the first mortgage bond issue in a reorganized consolidated company from $72,000,000 to $45,000.000.

Although Judge Michael L. Igoe had warned the various transit interests that, if they didn't accept the cut, he would take steps to end the long search for a satisfactory solution to the troubles of the lines, apparently the bond holders were not too worried.

At present there are two major proposals under consideration. One would consolidate the surface and elevated lines in one reorganized company under private ownership. This plan, which has been kicking around for years, was rejected in 1941 by the Illinois Commerce Commission, because that group didn't like many details of the proposal. Committees are now at work, under court direction, in an effort to amend the 1941 plan to the satisfaction of the state commission. It was in connection with these amendments that the proposal to slash the bond issue was advanced.

The other principal possibility of solution lies in municipal ownership. Negotiations toward this end seem to be temporarily halted, however, although the city council is said to be working on a ordinance that would permit purchase of the transit properties.

One of the most peculiar accidents in La Salle Street financial history has had traders of municipal houses interested recently. It concerned the $11,000,000 error made by a group of Chicago banks in submitting a bid for a Chicago

(Continued on page 2371)

Payne Elected Board Chairman Of Cgo. Exch.

CHICAGO, ILL. — Harry M. Payne, partner of Webster, Marsh & Co., was reelected to a second term as Chairman of the Board of Governors of the Chicago Stock Exchange, at the Annual Election of the Exchange held today.

George E. Barnes, Wayne Hummer & Co.; Joseph P. Brown and John R. Burdick, Jr. were reelected members of the Board to serve three years.

Walter J. Buhler; Harry C. Daniels, Apgar, Daniels & Co.; Chancellor Dougall; Alfred W. Mansfield, Thomson & McKinnon; and Frederick R. Tuerk, Cruttenden & Co., were elected members of the Board to serve three years.

John J. Bryant, Jr., Jas. H. Oliphant & Co., was elected Chairman of the 1945 Nominating Committee, and Messrs. Sidney L. Castle, Carter H. Harrison & Co.; M. Ralph Cleary, Cleary & Co.; Carl J. Easterberg, Riter & Co.; and George E. Hachtmann were elected members of the Committee.

Chicago Recommendations

Brailsford & Co., 208 South La Salle Street, have an interesting memorandum reporting on current developments affecting **Chicago Tractions,** copies of which will be sent on request.

Fred W. Fairman & Co., 208 South La Salle Street, report that they are informed directors of the **Chicago Flexible Shaft Company** will shortly request stockholders to authorize an increase in the capital common stock. An interesting memorandum on the situation, which the firm believes has an excellent post-war outlook, may be had from Fairman & Co. upon request.

E. H. Rollins & Sons, Inc., 135 South La Salle Street, have an interesting memorandum on **Long Bell Lumber Co.,** copies of which are available on request.

Sincere & Co., 231 South La Salle Street, have interesting bulletins on **Nu-Enamel** and **Flour Mills of America,** which they will send upon request. **Nu-Enamel** has just brought in a well on some property which they leased and this interesting development is discussed in the memorandum.

Valiquet & Co., 135 South La Salle Street, have a continuing interest in **Devon Corp.** common; **A. B. & M. Liq.** notes, and **Embassy Corp.** and will be glad to furnish information on request.

Webber Simpson & Co., 208 South La Salle Street, have interesting data on **Continental Commercial Corp.** and **Rieke Metal Products Corp.,** copies of which may be had on request.

Invasion Marked In Congress And Churches By Prayer—Two Minutes Of Silence On Stock Exch.

The invasion of Europe with the landing of troops by the Allies on the coast of France was markedly observed throughout the nation on June 6 following the request by President Roosevelt that the people of the country join with him in prayer. In both the Senate and House cognizance was taken of the occasion, members having been stirred deeply by word that the Allied invasion of continental Europe from the north was on, said a Washington dispatch to the New York "Times," turning to prayers for speed and complete victory with a minimum of human losses. In part, the "Times" added:

"The members voiced confidence in the skills and plans of our military and naval leaders.

"'Grant that on this D-day of liberation,' was the supplication of the Rev. Dr. Frederick Brown Harris, chaplain of the Senate, 'weapons of freedom forged in fires of faith may pierce the shields of pagan steel and the cruel invaders' walls, reared in treachery and tyranny and oppression, may crumble and fall at the boast of Allied might.'"

In New York, as elsewhere, there were special devotions in the churches of all denominations and various places of business closed earlier than usual.

The New York Stock Exchange observed two minutes of silence at 11 o'clock a. m. on June 3 "in tribute to the armed forces engaged in the liberation of the European continent," during which period trading on the Exchange was suspended.

The ticker notice printed the following after the two-minute period of silence on the Exchange:

"The Chairman of the Board read from the rostrum of the Exchange the following statement issued this morning by General Dwight D. Eisenhower:

"You are about to embark on a great crusade.

"The eyes of the world are upon you and the hopes and prayers of all liberty-loving peoples go with you.

"You go with superior arms, security from the air, and incontestable right on your side.

"The enemy will fight hard and well. He will fight savagely in this year of 1944. You have air superiority, fine weapons.

"We will be victorious. Good luck, and may the blessings of God go with you."

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(Special to The Financial Chronicle)

CHICAGO, ILL. — **Edward V. Vallely** has become associated with **Barcus, Kindred & Co.,** 231 South La Salle St. Mr. Vallely was formerly with A. C. Allyn & Co.

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Thinks Present Opportune Time To Buy Securities

John J. O'Brien III, Of John J. O'Brien & Co., Chicago Gives Views On Securities Market Outlook

In an article in the May, 1944, issue of the "Mid-Western Banker," John J. O'Brien III of John J. O'Brien & Co., Chicago, holds that there is nothing "bearish about the invasion," and that "the farsighted individual should now be scanning the investment tables for opportunities to buy securities."

"No doubt," says Mr. O'Brien, "there will be many problems in converting our plants back to peacetime enterprise, but they should not all come at once. Both wars are not going to terminate at the same moment. Our armed forces, it proportion to the population as a whole, will probably remain much higher after this war than at the end of the last war. When, in 1932, our unemployment reached a figure of some 15,000,000 people, our annual expenditures for all purposes was about $10,000,000,000. Today we are spending seven or eight times that amount a year on the war. Would it not seem reasonable that a relatively small amount of our present spending must be allocated to bringing about an orderly reconversion? No doubt this problem has bothered enough people sufficiently to produce the current reaction, and the largest "short" position existing in listed New York stocks in the past six years. Yet, to me, the present market provides a real opportunity for one with patience and foresight. A year ago this time the industrial averages were almost at the same point at which they are now selling. Probably they will react further from today's levels, but it seems to me that the farsighted individual should now be scanning the investment tables for opportunities to buy securities. What can be permanently unfavorable about an economy when a public saved nearly $38,000,000,000 last year, an amount approaching the entire value of all the securities listed on the New York Stock Exchange.

John J. O'Brien

"In my opinion, the best opportunities are to be found in the securities of so-called commodity companies that have not been overexploited, and those of utility concerns. One should by studying the equities of the sugar, lumber and merchandising companies and certain other specialty companies having good post-war prospects. It must also be borne in mind that the utility industry is a large owner of fixed property, and that the companies, as a group, have only minor reconversion problems.

"While money rates appear stable for some time in the future, we feel that low yield, long-term corporate bonds still held by banks should be exchanged for short-term Government notes."

Scientist Wins Degree

Thomas Midgley, Jr., President of the American Chemical Society, received the honorary degree of Doctor of Science from Ohio State University on June 3. Dr. Midgley is the discoverer of tetra-ethyl lead, to which the spectacular development of high-octane gasoline and the performance of the modern military and transport plane are largely due.

Thomas Midgley, Jr.

FHLB Sell Debentures

The Federal Home Land Banks sold on June 1, at par, an issue of $44,000,000 0.85% Consolidated debentures, Series A-1945, it was announced by Everett Smith, New York financial representative. The issue was heavily oversubscribed. The debentures are dated June 15, 1944, and mature Jan. 15, 1945. The proceeds from the sale, together with $20,300,000 from the Banks' surplus fund, will be used to pay off $64,300,000 Series A, 1944, debentures maturing June 15, 1944. Giving effect to this refunding operation, the 12 regional banks will be confined to the new issue.

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Chicago Brevities

(Continued from page 2370)

Board of Education bond flotation.

Four bids were received from underwriting groups for the issue. Two of them, offering a premium for 1½s, were out of the running. A third bid, that of an account headed by the Illinois Company of Chicago, offered a premium of $33,660 for 1¼s. The fourth submission, that of the bank group, included a premium of $115,606, but the bid failed to include the interest rate!

The representatives of the banks, headed by the Continental Illinois National Bank and Trust Company of Chicago, declared that they had intended to name a 1¼% rate, which would have given them a cover of about ¾ of a point over the next bid. However, officials of the Board of Education were reluctantly forced to declare the bid disqualified, and the Illinois Company of Chicago account received the award.

The story didn't end there. The bonds were not reoffered by the successful syndicate—and it was learned that one of the six banks that had joined in the Continental account bought the $11,000,000 block from the winning group at a compromise price, between that offered by the banks and that actually paid by the group that won the award.

To old timers on the street the whole fiasco recalled another case, involving the employe of an extremely well known bond house. In this case, the unfortunate employe submitted a bid for an issue by airmail, but after he had mailed the letter—late that night—he suddenly became aware that his offer, through an error in calculation, was outrageously high. He didn't sleep all night, visioning the loss of his job and financial difficulties for his employers. Early the next morning, on his way to work, he purchased a newspaper, and read that the airmail plane—carrying his offer—had crashed and that all the mail was destroyed.

In the present case of the Loop banks, though—there are several red faces on the street.

* * *

A great many investment men, from Chicago and other parts of Illinois, were visitors last week at the convention here of the Illinois Bankers Association. They heard a number of interesting talks, and met some of their out of town banking contacts. One of the features of the affair was the endorsement, by Illinois members of the American Bankers Association, of Frank C. Rathje, well known local banker, for vice president of the A. B. A.

If Mr. Rathje is elected to that office, at the A. B. A. convention at Chicago in September, it will mean that he will eventually assume the presidency of the national organization. Mr. Rathje is president of the Chicago City Bank and Trust Company and of the Mutual National Bank of Chicago.

Drackett Securities Offered By Van Alstyne, Noel & Co.

Van Alstyne, Noel & Co. headed a group which on June 7 offered $1,500,000 5% 15-year sinking-fund debentures of the Drackett Co. of Cincinnati, priced at 100 and accrued interest, and 85,000 shares of the company's common stock at $8 a share. Of the proceeds, $411,045 will be applied to redemption of bank loans and $540,000 to completion and improvement of the company's soybean extraction plant. The balance will be used for future expansion.

Among the underwriters are Field, Richards & Co., R. S. Dickson & Co., Inc., Westheimer & Co., Hill, Richards & Co., A. G. Edwards & Sons and Johnston, Lemon & Co.

Strawberries in North West

By the sound of shining waters,
In the city named Seattle,
Dwells the big chief berry-raiser,
Jack E. Jones of Hartley Rogers.
Raises he the plump strawberries,
Fat and scarlet, sweet and juicy.
All his neighbors, green with
envy,
Watch the crimson harvest ripen.
Aided he by his fair daughter,
At whose hand the yield is
doubled,
Till the planting, heavy laden,
Burgeons with its luscious savor,
And for one fat berry last year
Now appears a toothsome two-
some.
Harken, all you Vict'ry gardeners,
Jack will share his wisdom with
you,
Incantations, imprecations
To produce a super-harvest.*

---

*For further information write Jack E. Jones, Hartley Rogers & Co., 1411 Fourth Avenue Building, Seattle, Wash.

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Interesting Rail Situation

The Morris & Essex Railroad Co. 7¾% stock offers interesting possibilities at the present time, according to a discussion of the situation contained in the current issue of B. W. Pizzini & Co.'s "Railroad Securities Quotations." Copies of this bulletin, which also carries quotations on guaranteed stocks, underlying mortgage railroad bonds, reorganization railroad bonds, minority stocks and guaranteed telegraph stocks, may be had upon request from B. W. Pizzini & Co., 55 Broadway, New York City.

CONTINUOUS INTEREST IN:

Nat'l Bank of Tulsa
Monarch Fire Ins. Co.
Koehring Co. *V.T.C.*
Nekoosa-Edwards Paper *Com.*
Compo Shoe Mchy. *Com. & Pfd.*
Old Line Life Insurance
Northwestern National Ins.
Consol. Water Power & Paper
Central Elec. & Tel. *Pfd.*
Northern Paper Mills *Com.*
Hamilton Mfg. *Class A & Com.*
Weyenberg Shoe

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Wisconsin Brevities

Nekoosa-Edwards Paper Co. of Port Edwards, Wisc., reports a net profit after all charges and taxes for the first quarter of 1944 of $147,717, or $3.34 per share on the common stock outstanding, as compared with $128,778, or $2.04 per share for like period of 1943. As of April 30, 1944, total current assets were $4,495,971 and current liabilities were $1,351,335, leaving net working capital of $3,144,636. The ratio of quick assets to current liabilities was 91.01%; current assets to current liabilities, 3.33%, and current assets to total debt, 1.75%.

The directors of the **Wisconsin Investment Co.** have declared a dividend of eight cents per share on the capital stock, par $1, payable July 1 to holders of record June 10. Payments in 1943 were as follows: July 1, seven cents, and Dec. 22, eight cents.

Milwaukee Electric Railway & Transport Co.'s proposal to redeem bonds and purchase capital stock held by its parent, **Wisconsin Electric Power Co.,** has been approved by the Securities and Exchange Commission. The Milwaukee Electric will redeem on June 15, 1944, at par plus accrued interest, $100,000 bonds, and purchase for cash at par, $100 per share, 9,000 shares of its capital stock, or a total of $900,000.

Cutler-Hammer, Inc., for the first three months of 1944 reported a net profit of $471,931 after all charges, including Federal income and excess profits taxes and Wisconsin income taxes, equal to 72 cents per share on the 659,998 shares of capital stock outstanding. For a like period in 1943 company had net earnings of $537,653, or 81 cents per share.

The directors of **Nash-Kelvinator Corp.** have declared a dividend of 12½ cents per share, payable June 30 to holders of record of June 12.

Two Wisconsin war plants were among 25 awarded the Army-Navy E May 29. Awards were given to the **Kimberly-Clark Corp.** ordnance division at Neenah, Wisc., and to the **Badger Ordnance Works** at Baraboo, Wisc.

Amendments to the articles of incorporation of the **Chicago & North Western Ry.** were filed with the Secretary of State of Wisconsin at Madison on May 15, last. The company, which emerged from trusteeship effective June 1, 1944, previously had been incorporated in **Wisconsin, Illinois and Michigan,** but under the plan of reorganization it will retain its incorporation only in Wisconsin. With the return of the properties by order of the court on midnight June 1, the company has elected a new board of directors and a new slate of officers. Three Wisconsin business men, two of them from Milwaukee, were among 15 men elected to the new board of directors. Milwaukeeans elected to the board were **Frederick W. Walker,** Vice-President of the **Northwestern Mutual Life Insurance Co.,** and **William C. Frye,** industrialist and also a Northwestern Mutual official. The other Wisconsin director is **William E. Buchanan,** President of the **Appleton Wire Iron Works,** Appleton. The issuance of new securities under the plan of reorganization has been ordered by the court, and it is expected that this will be completed in the immediate future.

Dillon Read & Co. Offers $30,000,000 Alleghany

Dillon, Read & Co. and Hemphill, Noyes & Co., headed an underwriting group of 95 investment houses that offered on June 7 an issue of $30,000,000 Alleghany Corp. 3¼% secured convertible notes due on April 15, 1954, and priced at 102.15 and interest. The notes are secured by a first lien on 1,100,000 common shares of the Chesapeake & Ohio Ry., which are owned by the Alleghany Corp. and pledged as collateral under the indenture.

All dividends paid on the pledged stock and any other income on it will be received by the trustee as a service fund and applied to payment of interest on the notes and their retirement, except that Alleghany is allowed to withdraw certain amounts in certain contingencies for payment of taxes.

Each note is convertible into 20 shares of Chesapeake & Ohio common stock at any time up to the last business day preceding redemption or call.

Proceeds of the issue, with other funds, will be used to redeem the corporation's $21,661,000 of 20-year collateral trust convertible 5% bonds due in 1949 and $18,036,000 collateral trust convertible 5% bonds due in 1950.

After this redemption the long-term debt of Alleghany will comprise this issue and a $9,000,000 bank loan due in 1949, making a total of $39,000,000.

Tax-Free v. Taxable Bonds

Boland, Saffin & Co., 52 William Street, New York City, have for distribution a most interesting table comparing tax-free and taxable bonds indicating the approximate yield which taxable bonds must return to equal the return from tax-free bonds yielding 1% to 4½% when held by individuals or corporations subject to the top bracket corporation surtax. Copies of this table may be had from the firm upon request.

Dated Events War Map

Estabrook & Co., 15 State Street, Boston, Mass., and 40 Wall Street, New York City, members of the New York and Boston Stock Exchanges, are distributing a most interesting "dated events war map" of the world showing the progress of the allied armies. Copies of this map may be had from the firm upon request, as well as a leaflet summarizing the principal features of the securities offered in the Fifth United States War Loan.

This Scrambled World

(Continued from page 2362)

ket for my products after the war?

And the second one is:

Is there going to be an end to all this government control when the war is over?

Now it is curious that the two questions are really very closely related. In answering the first, we shall find an answer to the second.

Of one thing we can speak with certainty, there is going to be a tremendous potential demand for all kinds of products when the war stops. Ever since we changed over from peace to war production, millions of autos, refrigerators, radios, and other types of lasting consumers goods have not been produced. Some of the less permanent consumer goods have also disappeared completely from the market or have become scarce.

Here is an enormous potential market. It will take several years of normal prewar production to catch up with this potential demand. But this demand will have accumulated not only within the United States. In Latin America and elsewhere in the world outside of Europe, consumers have been compelled to do without things they used to buy abroad. And on top of all this, there will be a demand for consumers goods and for capital goods, for machinery, building material, and transportation equipment in the countries now occupied by the Axis powers. This potential demand will be indeed fantastically large. In Europe alone the destroyed factories, ports, railroads, electric power plants, and cities will represent a total value which will run in the hundreds of billions of dollars. No wonder some people grow enthusiastic and predict the greatest commercial boom this country has ever witnessed.

Before we can correctly estimate the true proportion of this market, we must ask ourselves how much purchasing power there will be available. For without purchasing power, this potential demand cannot be translated into an actual demand. The effect of the war, notwithstanding the high taxes, has put more free money in the hands of consumers and business enterprise than they have ever had before. It has been estimated that by the end of this year the funds which may conceivably be used for purchases of consumer goods and for new factory equipment will reach the enormous figure of 100 billion dollars.

When it comes to the purchasing power of the countries of the continent, we find that according to the best available estimates, there will probably be about 10 billion dollars in liquid assets available to them in this country. The needs of the continent will far exceed this figure. Damage to the industrial and transportation equipment to farms and cities will run into the hundreds of billions of dollars. There is every reason to suppose that through private and government channels, loans will be made available which will enable these countries to purchase far more than their cash resources would allow.

The Latin-American countries which have been able to sell their products at fancy prices to the United States but have not been able to buy many goods on account of the export restrictions in this country and in Great Britain, have now accumulated bank balances in this country of approximately 3 billion dollars. These Latin-American neighbors of ours never were in a better financial position than they are today.

And finally, there is Russia. The USSR has already placed orders for machinery and other equipment in this country and in Great Britain amounting to about 2½ billion dollars. Once the war is over, this figure will probably run up to about 10 billion dollars and Russia is in a position to pay for these purchases with gold, manganese, and other products which have a ready world market. Add it all together, and we have an enormous potential demand and a larger actual demand than we have ever had in our history.

Can we meet this demand and what will be some of the problems that we may face? The first problem is of course that of conversion back to peacetime production. That will not prove simple. We have had many headaches when changing from peacetime to wartime production but this process was relatively simple since it took place under the government umbrella. Financial assistance for conversion and expansion was easily obtained while the government, in most cases, assumed the financial risks. There was no selling problem, since production was largely on government order. When production problems arose, it was possible to secure government assistance and advice in many cases, or to benefit from the experience of other manufacturers producing similar products.

But when peace comes and we start converting back to peace, most manufacturing concerns will be once more on their own. Theirs will be the decision how to retool, what volume of production they will prepare to meet, and they will need to rebuild their sales organization. The process will be far more difficult. And the problems of the individual manufacturer will be still further complicated by other factors over which he has no control.

The first question is will they have the funds necessary to this conversion?

This is a question to which every concern will have a different answer. Much will depend upon the way in which the government will proceed in the termination of war contracts. If this process takes place gradually and adequate financial adjustments are made, the financial problems of our manufacturers may be somewhat alleviated.

If a partial conversion to peacetime production can take place while a part of the productive capacity enjoys the continued support of war contracts the conversion problem may be simplified—and because of the possibility of offering continued employment, the purchasing potentialities of the consumers will be maintained.

Already some 12 billions of dollars of war contracts have been terminated and only very few of these contract terminations have resulted in claims against the government.

Another extremely important factor in the post-war financial picture is found in the carry-back provision of the 1942 Revenue Act. There will be inevitable delays in receiving this refund but the aggregate amount of these refunds will be considerable. Moreover, it is unlikely that all the accumulated savings will be spent for consumption; a fair proportion will undoubtedly flow into the capital markets. It is likely that substantial holdings of government securities will be liquidated and the funds reinvested in the securities of business concerns. All in all it would seem, therefore, that except in a few cases, no special difficulties will arise in connection with the financing of our reconversion program, especially in view of the fact that our banks are in a liquid position and will be in a position to supply a good portion of the credit that will be needed. If the established financial institutions find it impossible to supply this need, the Federal Government will undoubtedly come to the rescue. This will especially apply to the smaller concerns who may not have been in a position to accumulate reserves during the war period.

Senator Murray of Montana has just introduced a bill which contemplates enlarging the authority of the Smaller War Plants Corporation so that adequate financial assistance may be given to small concerns. It would seem that no insurmountable financial problems face American business, especially since not withstanding the tremendous war effort, 80% of all civilians now employed are engaged in activities where no physical conversion has taken place.

In many ways the period of changeover to peace will give our businessmen a better chance than they would normally have had to develop new and better products, and above all, new and better methods of production and selling. With all their past experience in war and peace, they start in many cases with what is practically a clean slate. It would seem that the principal problem before business will therefore be largely technical and engineering rather than economic and financial. And consequently, unemployment will probably be limited to unemployment resulting from the technical changes necessary during the changeover rather than to lack of employment resulting from basic economic conditions. The huge spendable funds and the combined purchasing power of the domestic and foreign markets will be a guarantee of this. The outlook therefore is good.

But there are problems which may affect individual firms adversely and may change the picture for them somewhat. It will be of the utmost importance to individual concerns how the termination of war production is managed. What factories will be released from war work? — will they be the large plants or the small concerns?

And if the large plants are to be released only with respect to a part of their war production, how will that affect their competitive position? A plant working only at half capacity on peacetime products may not enjoy the economies of efficiency it enjoyed when working full capacity. The position of the firm released from war production will be still further complicated by the fact that shortages of certain raw materials and equipment will continue to exist.

With the introduction of new materials, such as the use of plastics to replace metals or the use of aluminum in place of sheet steel, the relative position of many firms will be changed. Some firms although released from war production may be located in critical labor areas and may therefore have difficulty to secure the labor needed to return to civilian production.

What kind of government regulation must be established to give every one a fair chance to return to normal production? Surely it would seem unfair to injure the competitive position of a firm loyally engaged in war production while its competitors through a termination of war contracts are in a position to recapture the market.

Our business men are fed up with government control. It is understandable that they should hope for the day to come when once again they will be able to direct their affairs without reference to government bureaus. But it seems most unlikely that a so-called "free competitive system" can be established soon after hostilities cease. Nor is it likely that it is to the best interests of business to close down government control. If we are to avoid confusion and dislocation of industry, the process of industrial demobilization must take place according to a carefully worked out and government-controlled plan.

There is also the ever-present

(Continued on page 2384)

Is there a shortage of children's shoes?

America's largest manufacturer of children's shoes answers this vital wartime question

Yes, there is very definitely a shortage! This is particularly true of *dependable brands* of medium and better quality children's shoes.

Parents today are demanding *better* quality. Rationing has brought about a keen appreciation of the *difference* between shoes that *are* good, and those that merely *look* good.

Why is there a shortage of children's shoes?

The nation's military demands and the needs of our allies have caused a decrease in the supply of leather available for civilian use and thus fewer *leather* shoes are being made for men and women, as well as for children. However, there *is* a sufficient quantity of good, serviceable shoe material available to meet *essential* civilian requirements.

While fewer pairs of children's shoes have been made since the war started, the *demand* has actually been *greater* and the *shortage* is felt more acutely for the following reasons:

1. Children wear out their shoes more quickly than do adults. And because children also *outgrow* their shoes, they seldom have extra pairs in reserve.

2. The rubber shortage has severely limited the number of tennis shoes available to boys and girls . . . this has added to the demand for *leather shoes.*

3. A sharp increase in the birth rate each year for the past three years has also put a heavier demand on leather required for additional babies' shoes.

Has the Government taken steps to make possible an increase in children's shoe production?

Yes . . . the Government has recently effected ways and means to increase the allocation and production of leather for children's shoes. This will make *more* leather available and *enough* shoes should be produced to cover *necessary* replacements for children. However, to provide *substantial* increases in the leather supply will take time.

What are shoe manufacturers doing to produce more children's shoes?

In some instances production is being diverted from men's and women's shoes into children's shoes. Some manufacturers who in the past have made only adult shoes are now devoting part of their facilities to the production of shoes for children.

What is the International Shoe Company doing about this children's shoe problem?

As America's largest manufacturer of children's shoes, we are now producing a great many *more* pairs than we did a year ago. We expect to maintain this higher rate of production and, if possible, increase it.

But... in our endeavor to make more children's shoes we will *not* disregard *quality*... we are determined not to use present conditions as an excuse for lowering the moral standards of our product . . . standards that we have maintained for more than forty years.

We shall continue to make shoes that are worthy of your complete trust . . . that are constructed, *inside and out,* to give your children *real protection* during the *vital* years while their feet are developing.

You'll know these trustworthy shoes by the familiar brands and trade-marks reproduced below.

What should I do to make my children's shoes last longer?

1. Always clean shoes thoroughly and treat them frequently with a good polish to preserve the uppers.
2. When shoes get wet, stuff the toes with cloth or paper to preserve their shape, and dry them *away* from excessive heat. After they're thoroughly dry, apply polish or other leather preservative.
3. At the earliest indication of needed repairs, take shoes (if still the correct size) to the repairman. Don't wait until it's too late and the shoes are beyond repair.
4. Alternate the wearing of new shoes and older ones . . . provided the older pair is still large enough.
5. See that rubbers or galoshes are worn (when available) in wet weather.

How can I be sure my children's feet are properly fitted?

Good shoes are made in the correct shapes for growing feet . . . built to *stay* that way . . . but your dealer does the actual fitting . . . so be sure you go to a reliable dealer.

The range of sizes and widths your dealer has in this emergency may not be as complete as he would like . . . so if he is unable to furnish the *exact* size in the style you prefer, we suggest that you select another pattern in the correct size that will serve your purpose. Never buy shoes too small . . . remember they must give longer service now . . . so allow ample room for feet to grow.

International Shoe Company

ST. LOUIS, MISSOURI

America's Largest Maker of Children's Shoes

Poll-Parrot SHOES For Boys and Girls Reg. U.S. PAT. OFF.

Vitality SHOES

STAR BRAND SHOES

RED GOOSE SHOES

FRIEDMAN-SHELBY SHOES

WINTHROP JRS. FOR BOYS

Sundial

Peters Diamond Brand Shoes

WEATHER-BIRD SHOES TRADE MARK REG. U.S. PAT. OFF.

Dollars Of Destiny

(Continued from first page)

omists recognize that as the national debt approaches the national wealth, the freedom of action of the individual diminishes, the control of government increases, the demands of government increase, the possibility of rebuilding private enterprise diminishes. The prayer of the would-be dictator must be: God give us a big national debt!

Our total national debt is approaching dangerously near to our total national wealth. By July 1, one authority has said, the debt will equal the value of the entire capital wealth of the nation, its factories, mines, farms, railroads, forests, and so forth. By the war's end, it will probably equal, if not exceed, the total wealth of the nation, including homes, bedsheets, and wedding rings. It is obvious that the existing wealth, which is constantly wearing out, cannot pay the debt. It will be paid only out of wealth created by future production, work, and sweat. War is a destroyer, not a creator of wealth. We must not confuse the savings resulting from the purchase and holding of war bonds with savings in the ordinary sense of that term. Imperative as is the financing of the war, obligated as we are by every motive of interest, every thought of the welfare of our families, every patriotic instinct to aid in the financing of the war by purchasing and holding as many government bonds as possible, we cannot forget that war is destructive—not constructive—and that the savings to us as holders of bonds is simply and solely a charge upon us, our children and all the people of America which bonds, like the bonds in the Social Security "Trust Fund," must be met out of future taxes.

Every generation or so, the money question is thrust into the arena of public discussion. Now that we are in the throes of the most devastating war of all time, the American dollar question takes on an importance never before approached in recorded history.

Vitally important, not only to the American people, but to the people of all other countries, is the fact that 34 nations are giving consideration to a world-stabilization plan at this very moment. You and I know how vital enlisted dollars have been to the prosecution of this war, how they have made possible the planes, the tanks, the subs, the destroyers. Men, materials, and money will see us through this crisis and when the war is over, sound money will keep us from chaos. When the Ship of State sails home and puts into harbor to contemplate post-war problems, she must be anchored to honest American money. Success cannot attend our planning if the American dollar is reported "missing in political action."

One observes in this connection that we are living in a day of paradoxes. Ceremonious occasions are created to bewail the sad lot of the underprivileged and the downtrodden. Men in high places lament the inadequate wages of the less prosperous. Mere sponsorship and advocacy of higher wages seem to bring those in publice life both applause and promotion, and the expectation of being retained permanently on the public pay roll. Yet here is the striking paradox: The very same agencies and the very same political leaders who are exhausting their store of eloquence and shedding tears out of commiseration for the worker because his pay envelope is thin are largely responsible for the vanishing returns upon the accumulated savings of our factory workers, clerks, teachers, mechanics, miners, farmers, and others who look forward to their savings to produce an income for them, so as to supplement their personal earnings and secure well-deserved comforts and relaxation in their declining years. Tens of millions of men and women with savings accounts, and millions who have holdings in building and loan associations, and other millions whose hopes depend upon the eventual purchasing power of the proceeds of insurance policies, and millions more who have purchased government bonds, will be at a loss to understand why "humanitarians" advocate drastic means of reducing unemployment and at the same time direct their ingenuity towards lowering the earning power of the billions of saved dollars that many of our workers have toiled almost a lifetime to accumulate for themselves.

These millions of people are the middle-class folks—the very salt of the earth. They look forward anxiously to the day when our leadership in government will be aroused to the gravity of this whole situation; when they shall recognize that employed money, if honest, is only employed labor in another form; and when they shall appreciate the truth that the challenging problem is to guarantee to direct and indirect labor, not only employment and security, but equally an adequate return for services rendered by each in all enterprise.

But we are talking about representative labor, dollars of destiny, and at a time when the stability of the dollar is threatened by the gigantic spending program necessarily launched to prosecute the war.

When it is known that the well-being and destiny of all free peoples centers in the preservation of sound money, we can readily understand that the problem transcends in importance parties, politics and partisanship.

All through history, governments, by debasing their money systems have multiplied their functions at the expense of the property, liberty and lives of their citizens. Representative republics have not been spared in this process of exploitation. Politicians of all persuasions are disposed to make public office a personal, vested interest. Parties in power are built up and maintained by the common practice of feeding their following out of the public treasury, creating printing-press money to do so, giving little thought to the vital principle of sound money—the cornerstone of representative democracy. They discover that it contributes to their perpetuation in office to find and exhaust new sources of revenue, to create more unproductive jobs as reward for party adherents, to permit more and more to fatten on the public payroll, to make more and more citizens economically dependent upon the public purse. By prolific spending of fiat money, they entrench themselves in office. When once a party is powerful enough, by the application of such methods, to defeat or crush its opponents and to modify or nullify constitutional restrictions so as to extend its powers, then a representative republic is transformed into socialistic democracy and eventual dictatorship.

Now, suppose that Congress should, after the war, continue to ignore its constitutional responsibility and cease to operate as a check on government spending: Suppose that the politicians then in office should further perfect the trick of corrupting the public with its own money, and suppose that under the attractive philosophy of an "economy of abundance" promoted under the paternalistic government, a large portion of the population could continue to be so duped and deluded as to permit this unrestricted political spoliation of the national wealth, and suppose that the people could be led to continue to believe that it is possible to get something for nothing and join in the further systematic looting of the public treasury? What then? Historians and the wisest political thinkers of all time have repeatedly given us the answer. In one voice they declare that that is precisely the manner in which all preceding democracies have destroyed themselves.

We hear much today of the evils of capitalistic exploitation. If such evils exist, and they do and always have, all informed citizens will welcome their removal only by wise and just legislation. But what we should see to is that the hoped-for cure is not more malignant than the disease. If we are to retain any vestige of the consent of the government, we, like our fathers, must stand out against any effort to multiply the powers of government. It is this vigilance which will prove to be the price of our liberty.

American citizens will not wittingly accept the establishment of a totalitarian state in this land. They will fight it if they are able to recognize it as it creeps upon them. There are among us, and always will be, some who would exchange political liberty for what they imagine is economic security. In this they ignore the historic fact that neither economic liberty nor any other liberty is possible without political liberty. When will the mass public, who hold the voting control, be made to understand that solvency is no small matter; that it is a sacred thing; that it is the very cornerstone of the kind of government that makes and keeps men free? The answer is: when they become informed through some nationwide plan of economic education. Or when, if it is not too late, they, themselves are made to feel the full burden of the tax and become sorely conscious of the fact that they, themselves are paying the bills for their alleged security. And that educational program is somebody's responsibility.

Before the advent of this war, a race was being run, fraught with more vital consequences than any other in our time. It was the contest between sound education and regimentation. Regimentation took the lead, as it always has done when Federal spending is out of control.

Someone has said that "the retreat of liberal principles throughout the world is a consequence of the decay of the money and credit systems that gave the nineteenth century a unique advantage in the annals of mankind." And what a contribution we in America made to that inglorious retreat!

Daniel Webster said in 1834, "I admonish every industrious laborer in the country to be on guard against those who would perpetuate against them a double fraud—a fraud to cheat them out of their earnings by first cheating them out of their understandings. The very man above all others who has the deepest interest in sound currency, and who suffers most by mischievous legislation, is the man who earns his daily bread by his daily toil. A vast majority of us live by industry. The Constitution was made to protect this industry, to give it both encouragement and security; but above all, security."

On the same subject the immortal and stalwart Democrat, Thomas Jefferson, said, "To preserve our independence, we must not let our leaders load us with perpetual debt. We must make our election between economy and liberty, or profusion and servitude."

And listen to this ringing declaration of Mr. Roosevelt in 1932 in his bid for the presidency: "Upon the unimpaired credit of the United States government rests the safety of deposits, the security of insurance policies, the activity of industrial enterprises, the value of our agricultural products, and the availability of employment."

Furthermore, "The credit of the United States definitely affects these fundamental human values. It therefore becomes our first concern to make secure the foundation. National recovery depends upon it. Too often in recent history liberal governments have been wrecked on rocks of loose fiscal policy. We must avoid this danger."

What a sound pronouncement! What a solemn implied promise! But that was back in 1932. *A barricade of words preceding a deluge of debt!*

At this point let us pause to observe how many of us have been continuously conscious of the methodical, deliberate manner in which politicians have done their destructive work against those very principles. Those whom we, the people, elect to public office are (or were) our servants, not our sovereigns. The death sentence of sound money had its beginning when the people failed to understand the menace of long tenure in public office.

It is rare indeed, that even men on the watch-tower seem able to recognize the approaching forces of disintegration. And as for the masses, they seem never to have been able to identify the enemy that comes to destroy sound money on which political, economic, and social liberties are made. I then pose this question: What is to be done to arouse the people?

Really, men, what power do you and I possess to make impressive these demonstrated historical axioms? How must we proceed to impress upon the public mind the vital importance of honest dollars? Have the schools a sacred responsibility to teach solvency in government to the oncoming generation? Is it not also the duty of the bankers and insurance executives who are the custodians of the savings of millions of thrifty citizens to disseminate education dealing with solvency? Unquestionably, yes! Emphatically so! Every boy and every girl in school and in every college in this great, free nation should be required to complete a course and to gain a clear understanding respecting dollars created through the production of goods and services. It is axiomatic, and therefore non-controversial, that only on the foundation of sound money, is it possible for a free school system to thrive or for a democratic representative form of government to endure. Young people should be shown that they have a personal, vital interest in that very kind of government. This very situation challenges the intelligent, cooperative action of education, business, and labor. There are no labor unions in dictator countries.

Clearly, their interests, like all wholesome interests, are identical.

I fear that most of the young people in this generation coming out of the halls of learning into the world have not been given the vitally important education needed to understand the import and significance of historical and economic events. To verify, or put at rest my fear, I interviewed many graduates—boys and girls—most of whom admitted that they had meagre education having to do with the importance of government solvency, one of the principal pillars of a representative democracy. When provided with sound economic education, citizens old and young will no longer be deceived by catch-phrases, violent demogogic outbursts, mild impeachments, or glowing reassurances, all intended to frighten or appease. They then will become adult economic realists. Please note the word "realists." They then will have the facts and be guided solely by them. They then cannot be misled, terrorized or won over to new-sounding philosophies and creeds which, in the face of all experience, stand utterly condemned and branded as the cause for the collapse of nations and civilizations.

We know, and it is a teaching of all history, that back of each and every ultimate uprising of the people, looms some gigantic economic terror. Whenever and wherever the life-blood of the people has been sucked up to maintain men in power, to sustain a top-heavy government, from fiat money-spending, no matter what name it bears, the day of reckoning is at hand.

We are even told today to look upon the present terrifying struggle in the world as the result of the scheming of a few despotic individuals. How shallow such reasoning!

The men who now seem to control the destiny of all Europe are not self-elected. They were invited. They came into power because of the situation which had been created through the years, culminating in the very things that are now transpiring, in the tragedies that are rocking the very foundations of civilized society. Possessed of a superior power of persuasion, coupled with native political sagacity and a burning passion for power, these men recognized that their day had arrived. They witnessed the helplessness of those in power. They saw before them the beckoning, vacated seats of power made so by the breakdown of solvent governments. Coming out of comparative obscurity, with dramatic declarations uttered with Messianic solemnity, these dictators on horseback captured the imagination of the people and rode to power amid the applause of the unsuspecting and apathetic masses. That is how it all happened "Over There."

But what made their advent possible? Economic exhaustion; treasury erosion; ruthless taxation. That was the terror. It was the demon of debt. A disregard for solvency.

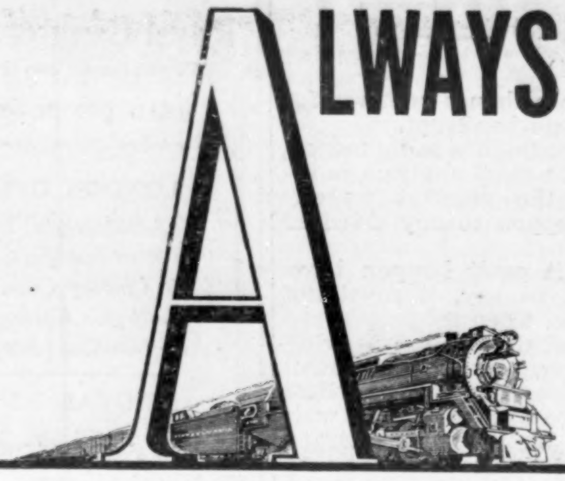
Why was it that the Blackshirts were able to march upon Rome without resistance and take over the reins of government? It was because the government itself had tacitly recognized its inability to meet its own astronomical current debts, plus its borrowed obligation of 27 billion dollars. It was Italy's debt that spelled its doom—the doom of its cherished democratic institutions in a country that has made such a picturesque contribution to world culture, art, and civilization. And so, whenever a people have abandoned all hope, have been shorn of all incentive to labor and produce, and when black clouds of debt, deficits and taxes shut out every ray of hope of rehabilitation, they are invariably ready to turn to the one who, with disarming eloquence and glowing assurances, announces himself as the awaited "deliverer." Apply that fact to the countries abroad and we have the underlying cause of the terrifying tragedy which now threatens the security and the very existence of millions of our fellow men.

It was not until the German government and its political subdivisions had incurred indebtedness and assumed obligations far beyond their power to meet; it was not until their bonds and their promises to pay had become worthless scraps of paper that the German people looked for and hailed the one who should come forward with the promise and pledge to lift them out of their hopelessness, restore their confidence and respect and win for them once more a coveted place in the sun.

And that man came. But before he came, tragic inflation, following national bankruptcy, had taken its toll.

Hark back for a moment, not so long ago—because it happened in the memory of most who are here today: At the height of German inflation, the hundreds of thousands of Germans who looked forward to economic security in

(Continued on page 2376)



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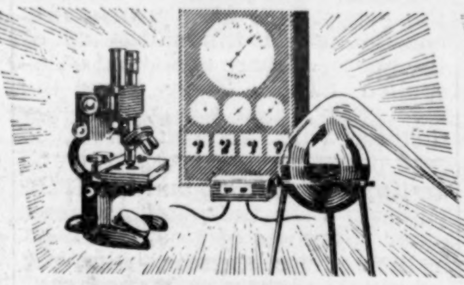
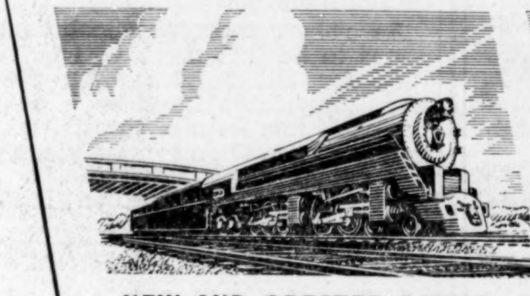
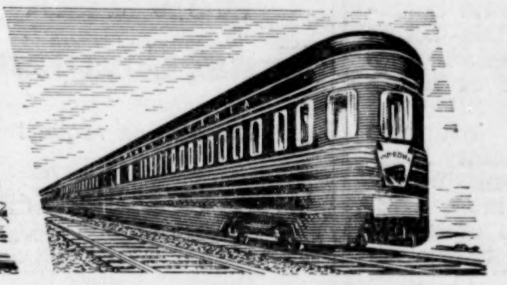


LABORATORY MAGIC—Research by the Pennsylvania and other railroads has led to faster journeys, increased comfort, speedier and heavier freight trains operating on fast, specified schedules. From 1929 to 1943, inclusive, P.R.R. invested almost a billion dollars for improvements.

TRAIN TALK—Pennsylvania Railroad, with Union Switch and Signal Co., is testing a train telephone system, following long investigation with telephone, radio and electronic experts. The first experimental installation is in use on the Belvidere-Delaware Branch.

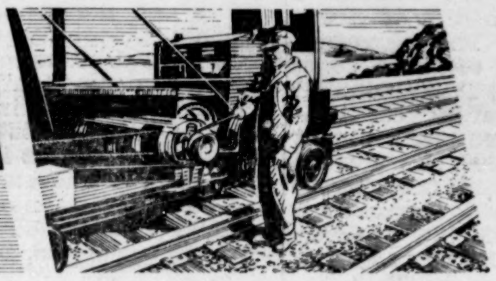


NEW AND GREATER POWER—In P.R.R. territory, bituminous coal, available without limit, affords economical power. P.R.R. is developing revolutionary types of locomotives—turbine with direct transmission, and turbo-electric—to use this fuel.

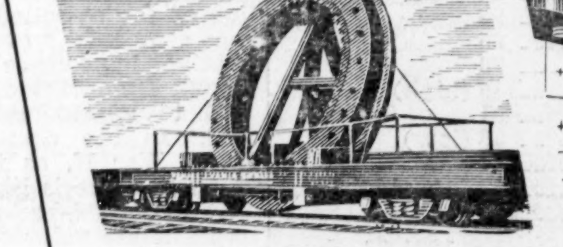


"STREAMLINED" LUXURY—Significant improvements in coaches and Pullmans are everywhere in evidence. P.R.R. is always studying and refining new engineering techniques to combine comfort and luxury and light weight in cars of greater-than-ever strength.

LIGHTER, STRONGER METALS—New alloys, new metal-making processes are applied as values are demonstrated. Peacetime progress in this field turned out to be a great wartime asset. Modern metallurgy permits safety with lightweight construction of great strength.

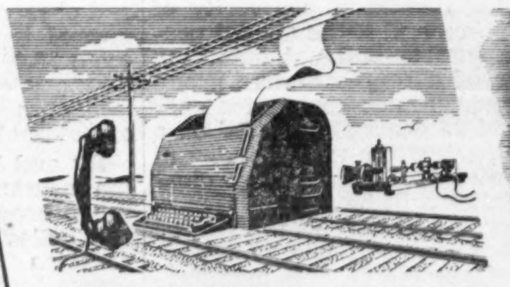


TAKING CARE OF THE TRACK—Ingenious machines and new practices improve track maintenance. More comfortable riding, greater stability for heavier loads result. Machines now help replace ties, drive spikes and clean ballast, do track work faster, better.



RESTYLING FREIGHT CARS—War required the movement of items of peculiar shapes, enormous weights. With traditional readiness, railroads met every need, even when specially developed cars were called for. Refinements in standard freight car design greatly increase capacities.

MADE-TO-ORDER WEATHER—Railroads pioneered in the use of air-conditioning, first applying it to cars at almost prohibitive cost. Far advanced from its original conception, air-conditioning was installed in 11,000 cars. The program will continue after the war.



LARGEST COMMUNICATION SYSTEM—Pennsylvania Railroad operates the world's largest private communication system. It includes a teletype system for reporting arrival of trains and position of cars and keeping shippers and consignees informed of the movement of freight.

ELECTRONIC MIRACLES—The signal-in-the-locomotive-cab, foremost railroad safety device, has been installed by P.R.R. at a cost of $18,000,000. Through electronics, roadway signals are reproduced on panels before the eyes of the engine crew inside the cab.

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Bank and Insurance Stocks

This Week—Insurance Stocks

By E. A. VAN DEUSEN

The United States Maritime Commission has recently authorized the business of insurance on vessels under construction to be turned back to commercial ocean-marine insurers. The bulk of this insurance risk has been assumed by the Government since the start of the wartime ship construction program. Also, insurance on war cargoes, which has been carried by the Government since April, 1942, is being returned to the insurance companies. Such companies as Boston, Insurance of North America, North River, Providence-Washington and others, should be favorably affected by this action for the duration of the war, assuming no recurrence of heavy submarine losses.

Investors in fire insurance stocks, however, are mainly long-terms investors, and consequently should be concerned more with the post-war prospects of insurance companies rather than with their relatively short-term "duration" prospects. Some thoughts on the post-war outlook for the fire and marine insurance business are therefore presented in this column.

It is of interest, first of all, to refer to the experience of a group of 16 representative companies following the Armistice of World War I in 1918. The aggregate liquidating value of these companies on Dec. 31, 1918 amounted to $204,545,000. Year by year it increased so that five years later it reached $326,352,000. Its upward trend continued until $655,274,000 was reached in 1929; thereafter it dropped to the 1932 low of $378,925,000, but this still was approximately 90% above the 1918 figures. Currently, aggregate liquidating value stands approximately 15% above the 1929 peak. The volume of underwriting business written by these companies, as measured by their unearned premium reserves, shows a similar post-war expansion. At the close of 1918 their aggregate unearned premium reserves totaled $120,046,873. Year by year the volume expanded, reaching $169,164,688 five years later, and $216,328,023 in 1929, but dropping to $177,901,000 in 1932. Currently, unearned premium reserves closely approximate the 1929 level.

Net investment income also shows similar growth in the post-war years, moving from $7,961,000 in 1918 to $12,839,000 in 1923, then to a high of $18,894,000 in 1930, and declining to a low of $13,820,000 in 1933. Net underwriting profits are characteristically erratic, but these, too, despite some years of losses, moved irregularly upward from $6,094,000 in 1918 to $8,459,000 in 1927, $14.930,000 in 1930 and $16,711,000 in 1933.

This post-war growth of the fire insurance business and its earnings was amply reflected in the action of the stock market, as measured by Standard & Poor's index of fire insurance stocks. At the close of 1918 the index was 39.5; by the end of 1923 it had steadily risen to 81.6, an appreciation of 106%; it was 116.9 at the close of 1926, 174.0 in 1927, and it reached a peak of 249.1 in 1929. Currently it stands at 114.5.

It is not the contention of this column that insurance companies will necessarily experience an equivalent expansion after World War II, but it is a significant fact in the history of our country that every war has been followed by a period of business growth which has carried the general level of National prosperity up to new high ground. True, a "primary post-war depression" also frequently occurs, as in 1921-1922, but this generally is short-lived. In this connection it is of interest to note the movement of the Composite Index of Industrial Production, compiled by the Federal Reserve Board, from the end of World War I to the opening of World War II, as follows:—

1918	73
1919	72
1920	75
1921	58 (low)
1922	73
1923	88
1924	82
1925	91
1926	96
1927	95
1928	99
1929	110 (high)
1930	91
1932	58 (low)
1935	87
1937	113 (new high)
1939	108

Except for the 1921-22 drop, there was almost an uninterrupted rise in the index to the 1929 peak. Currently the index, swelled to huge proportions by war production, is at 242.

Now, the fortunes of insurance companies rise and fall with the changing degree of prosperity of the Nation, and if the annual premium volume and net operating profits of a representative group of fire insurance companies over the past 25 years are plotted on a graph against the annual index of industrial production, very close correlation will be found. Hence, if after World War II the United States is to experience an expansion of commerce and manufacturing and is to rise to new heights of technical and industrial achievements. it must follow that the fire insurance companies will also rise to new levels of service and prosperity.

This is not a prophecy, nevertheless this writer believes in the destiny of America, and has little patience with the pessimists and other "prophets of gloom." To be a little more specific, who can doubt that the post-war years will witness very great expansion in private and commercial aviation? Already a number of leading fire and casualty insurance companies have found aviation insurance a profitable, though a minor, line which inevitably should expand to substantial proportions.

Another foregone conclusion seems to be that there will be a rush for automobiles after the war. Americans have been deprived of this form of transportation and recreation to an increasing extent since Pearl Harbor. Motor vehicle premium writings in 1941 by stock fire companies totaled $275,500,000, according to Best's "Aggregates & Averages," which represented 26.2% of all lines written. This compares with $77,612,000 or 9.8%, in 1922 after World War I. Since Pearl Harbor the volume has shrunk to approximately 45% of the 1941 figures. It seems reasonable to conclude that the 1941 peak of motor-vehicle business will again be reached and eventually exceeded.

Ocean marine business, too, should reach higher levels than have hitherto prevailed during peace years. The United States will have the largest merchant fleet in the world at the end of the war and even though it may only be possible to use but a portion of it for peaceful trade, yet it is doubtful that we will permit our merchant marine this time to deteriorate into an inferior position. Normally, ocean marine insurance is a profitable line, and any moderate to substantial increase in volume should handsomely augment the earnings of marine underwriters.

Fire insurance is still the major line of the so-called "fire insurance companies," even though its relative importance has slowly shrunk from 77% of all lines in 1920 to approximately 48% in 1943. In the decade following World War II, as this observer views it, there is likely to occur, with minor set-backs, an upward trend in the volume of fire premiums. There are many "probability factors" which would appear to substantiate this conclusion, for example: a building boom of unknown proportions, yet essential in order to relieve inadequate housing conditions; a growing public awareness of the value and cheapness of fire insurance; a normal increase in population of some 10,000,000, and, after a preliminary drop from our inflated "war prosperity," a rising curve of national prosperity.

By and large the prosperity of the insurance business depends on the prosperity of the Nation. If we believe that after the war America still will be "going places," still will exhibit the spirit of enterprise and still will face a promising and prosperous future, (and what true American can believe otherwise?), then we must likewise believe that the best of America's stock fire insurance companies also will face a promising and prosperous future.

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Dollars Of Destiny

(Continued from page 2374)

their old age as a result of their savings accumulated in life insurance policies, were handed worthless currency. The same can be said concerning those who had savings accounts. The insurance companies actually lost 93.5% of their assets and 95.6% of their investments. That inflation did not come by presidential or legislative proclamation—it developed slowly, as it always does, until the final stages, when it assumed the proportions of a prairie fire, consuming all the substance of the people. There remained a despoiled nation. Then came the emergency, then chaos, then the dictator who, as you know, is nothing more than a receiver for a nation gone bankrupt.

Loss of confidence in its money, which, in the final analysis, is inflation, is the greatest tragedy that can happen to any civilized state.

We say it can't happen here. Rather, let us say, it must not happen here. Then let us proceed to make that declaration a living reality by recapturing the control of Federal spending at the earliest possible moment, after the war, which will be the only guarantee against that demon that counts civiliaztion after civilization among its victims.

In the man that came, the German people thought they saw relief from their suffocating debt, which had piled up upon already impossible debts, broken down their machinery of government and created the very kind of man who appears on the scene.

But need we look beyond the waters, or even cite the teachings of history to be convinced that in the eight years immediately preceding the war, in our own land, in this reputed sanctuary of freedom and liberty, we were tampering with the deadly explosive of excessive debt that has blown one civilization, one culture after another, into oblivion?

Back then, to our question: Do we possess power of discernment? What do present movements mean to us? Do we realize what it is going to mean to everything we cherish under this representative republic if we permit our country a continuation of a discredited fiscal philosophy—a policy which advocates and justifies uncontrolled spending?

"Vice (debt) is a monster of such frightful mien
As to be hated, needs but to be seen;
Yet, seen too oft, familiar with her face,
We first endure, then pity, then embrace."

—*Alexander Pope*

We shivered at the first sight of uncontrolled spending; we, too many of us, then came to endure it, and now we have embraced it and that is responsible at this very moment for the rearing of a debt structure of such unprecedented size that unless halted in the post-war period, it will pass the stage of safety and solvency and must, of its own weight, collapse, leaving among its ruins 150 years of free agency—a system that gave to the world a government characterized by Lincoln as "of the people, by the people, and for the people."

If that picture is overdrawn, then all history is a lie.

For the sake of verification, let us get down to the facts and see what our accounts show. Let us look at the picture. Here it is:

The present administration, in the pre-war years, piled up the largest debt in all history. It had for several years past created larger deficits than all other nations combined. In a statement reviewing the last ten years, before our entry into the war, Colonel Ayers of the Cleveland Trust Company said:

"Two facts about this depression are of special significance. One is that it has lasted longer than any other period of hard times in our national history. The other is that among all the important industrial nations of the world there is only one other that has made such laggard progress toward recovery, and that is France. In the progress toward recovery the United States takes rank in the 21st place among the 22 nations."

And why? Because with one hand we worked the pump handle, while with the other we wielded the sledge hammer to smash the pump. And we called this priming the pump!

That almost incomprehensible situation would have meant something more to us perhaps, had we realized that since the launching of our government, we had assumed all the debts of the colonies, we had shouldered all the burdens of the Revolution, we had fought the War of 1812, the Mexican War; we had engaged for many years in wars with the Indians; we had fought the Civil War, the Spanish-American War, and participated in the first World War. Moreover, we had met all the expenses incident to our marvelous expansion from a strip along the Atlantic Coast until we occupied the bulk of the entire continent. And yet, despite all the obligations incident to these struggles and expansions and the drains upon the national treasury, despite all the burdens which the taxpayers had been called upon to assume during those years, the aggregate costs of government during all that period fade into insignificance in comparison with the depredations which the present treasury eroders made upon our economic life and holdings in the few brief years preceding the world conflict—and mark you, in years of peace!

Now, why do I harp on the pre-war period of prodigality? Here is the answer—and a true one: If at the end of this war, the deficit spenders, the "we-owe-us boys," are not thrown out by an angry, tax-conscious electorate, and if sanity in fiscal matters is not re-established, the boys—our boys—who are fortunate enough to return, many with grievous wounds, will have fought in vain. The kind of government they gave their all to destroy will be enthroned here at home and we, their fathers and mothers, will have broken faith with those gallant lads, many of whom made the supreme sacrifice.

The Founding Fathers were aware of these dangers and warned against them. And why? Because they were historically minded. They were close students of world affairs. They knew what had brought about the rise and fall of nations. That is why they attempted through the Constitution, to map out the safe way which we should pursue to establish and to perpetuate the principles of government and human relations for which they gave so freely of their blood and treasure. They knew that any departure from that safe-charted highway

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of honest money would lead us into a wilderness of confusion where, in our helplessness and ignorance, we, too, would add one more name to the long list of defunct civilizations.

Washington's farewell address, the admonitions of Madison, Hamilton, and Jefferson were perhaps little understood or appreciated at the time, but what remarkable reading to us in our generation! How they bristle with wisdom! Almost against their better judgment they provided for general suffrage, for they hoped against hope that in some manner, mass education would be made a continuing, accomplished fact. They trembled as they anticipated the day when the vote of the majority could be bought in exchange for alleged economic social security. They recognized that only when people are informed, when they discern, are they able to exercise the voting privilege wisely and effectively in their own interest and for the perpetuation of their own rights. They knew of men's lust for power; that, once entrenched, they reluctantly yield their positions; that they create situations to perpetuate themselves in control; that they surround themselves with hungry hangers-on; that they build up a vast ever-increasing tax-consuming army of servile public employees; that by means of lavish contributions taken from the pockets of the people, by a systematic erosion of the public treasury, individuals, states and their political subdivisions can all be made to relinquish their time-honored, independent prerogatives in favor of an ambitious central government. Those men had seen how human nature operates; how easily men can be despoiled and sold down the river; how readily they can be betrayed. Out of the wealth of their wisdom and their power of discernment they gave to us that unprecedented instrument of human liberty, the Constitution, providing, among other things, that the spending power shall be vested in the House, the true representatives of the people. It had been burned into the hearts of the Founding Fathers that any departure from this fundamental of free government would be the beginning of the end of that free government.

But no sooner had that Magna Charta, with its priceless Bill of Rights, been placed in our hands than it became immediately an object of assault. These attacks have never ceased. They have increased in insolence and intensity. We need not recite the happenings of recent years. They are grimly familiar to us in this group. But . . . once again we come back to the question: How can they be made clear to the man on the street—to the average citizen who casts the controlling vote?

Who dares contend that we in our day have now shown ourselves to be equally gullible, equally willing to be silenced, equally willing to be betrayed, equally willing to be sold upon the block like those who have preceded us?

It can be safely asserted that in no other country on earth could sound principles of economics have so ruthlessly been violated, as we have recently violated them, without suffering complete and absolute wreckage. Thanks to our endless and apparently inexhaustible resources, we have been able, up to now, to meet our obligations and to remain solvent. The best proof that the American pattern of government is sound is that it was able to endure in the pre-war years, under the greatest orgy of peace-time spending that any government in any period had ever attempted in the history of civilization and then to become the arsenal of democracy to save the world. As much of our present indebtedness alarms us, it is our apprehension of the trend after the war that overwhelms us. We are not unmindful of those stalwart, patriotic Americans — Democrats and Republicans—in the Congress of the United States, such as Senator Byrd (God bless him)—who are at this very moment fighting against insurmountable barriers to preserve solvency. Their efforts seem at the moment, to be making some progress.

Just as we today are meeting, so have men done throughout the centuries. No doubt in days of yore there were men who dared stand up and paint to their fellows the gloomy picture of what must inevitably follow a continuation of the mania of incurring debts, borrowing and perpetuating deficits. They, too, were called ugly names and looked upon as calamity howlers. Strange, is it not, that we experience the same reaction when we, in our day, warn against the continuation of a devastating trend of Federal debt?

How then may the masses, our fellow citizens, be won over and stimulated into action so that they, the victims of a deficit program, will act in the interest of their own security and their own personal liberty? How can it be done? Who should be more willing than we to undertake the task? Who should possess more courage or more determination and the power of discernment to seize this opportunity ere it be too late? John Rustgard said, "If we are too weak today to handle the situation as it should be handled, we shall be weaker tomorrow and the next day still weaker. We are giving shelter to a vulture that is constantly eating out our vitals." The vulture referred to is the ever-increasing government debt and deficit.

Can it not be shown to the man in the street, to the merchant, to the manufacturer, to the housewife, to the educator, to the church man, to the farmer, to the vast army of honest workmen, even to those who today are subsisting upon government benevolence? Can it not be told to the eleven million service men, most of whom have a $10,000 government insurance policy? Can it not be demonstrated to the youth of our country, to all people, irrespective of color, or class, that they will all be made to suffer for ruthless prodigality; that they all must now unite to plan and perpetuate a sound fiscal policy following the war? With our wide range of contacts, can we not speak the language of each of these groups so that they will understand that no government ever did or ever can subsist upon its debts; that the only source of wealth is with the people themselves; that government support comes entirely from the earnings, production, and savings of the people; and that not one cent originates in the elaborate mechanism of government? How readily will the millions of savings bank depositors, the 69 million holders of life insurance policies, the 50 million holders of government bonds, with the voting control, rally to such a call for united action, once they are convinced that the leadership in this crusade is informed and passionately and patriotically devoted to public interest?

Men will not struggle to save if they know that they are ultimately to be denied the fruits of their labors. No trick of logic will ever be able to destroy that human trait. That fact is known to those in power. That is why they have introduced political magic. They have made us class-minded. As individuals and classes we are rapidly losing our national outlook. Our group consciousness has brought about group greed. We have proved that we can be purchased, big business included, and silenced by carefully planned doles handed out to us by some branch or other of that great philanthropic agency which we call our central government. Our protests against the unlimited outpouring of borrowed money are growing fainter and fainter. States and their local subdivisions are losing their constitutional autonomy. Federal projects and grants have done their work. Even branches in our national government set up under the Constitution to maintain the balance of power have shown their willingness to abdicate under the manufactured declaration that there exists an extreme emergency — *the recognized springboard and implement to despotism.* Thus we have abandoned many of our time-honored constitutional safeguards. Through the creation and operation of numerous, ever-increasing, alphabetical agencies and commissions, many exercising undisputed legislative, executive and judicial powers, there has resulted a delegation of authority of such proportion that the constitutional pillars of government have been largely eaten away.

Furthermore, by a new kind of bookkeeping, it is difficult to see clearly the financial condition of our Federal government. New terms were coined to make the government's studied fiscal subterfuge appear plausible. For instance, "recoverable assets." What an ingenious invention!

Heretofore, Congress had acted under Constitutional mandate, had designated the volume of public expenditures and the manner in which they should be made. But the whole control of public expenditures had gotten out of hand. For lo, what Congress authorized, constituted only a visibly small fraction of the tax burdens that were heaped upon the backs of the non-tax-conscious taxpayers. Government borrowing in the final analysis is nothing more than deferred taxation, deliberately deferred by politicians, in all parties, so as not to incur the wrath of the tax-conscious voting public.

So that all spending might be kept within bounds prescribed by Congress, so that public money would be spent only in the volume and in the manner specifically prescribed by Congress, provision was made under a former administration for the continuing control of the budget; a comptroller of the budget was appointed, whose term of office extended beyond the bounds of any existing administration. He was made the watch-dog of the Treasury. Any demands made upon the Treasury not in keeping with the provisions of the appropriation, were denied, with the result that the Treasury eroders swore eternal vengeance upon him and his office. Solemnly they set out to remove that one obstacle which lay in their extravagant path. And they succeeded, under the disarming plea for economy, to provide reorganization of government departments. That strategic key to government solvency, to strict control of government disbursements, has been quietly but effectively removed. In its place we have a glorified bookkeeper under the domination and subject to the will of the Executive—a helpless substitute. And did we catch the significance of that "reform"? We did not. All this was perpetuated largely because we showed ourselves to be economic illiterates. We lacked education. We had grown self-centered and group-conscious. We were no longer historically minded. We imagined that history began with us. We were the Little Red Riding Hoods bringing our hard-earned substance to our dear old Government Grandma, who turned out to be a hungry wolf that devoured not only our substance but threatened our very existence as a free people.

We need not alone assume the responsibility for inaugurating and conducting a needed fact-revealing process of education of the masses. Our great school system will prove an able, willing ally. It is my belief and conviction that many of those who stand at the head of our educational forces, including our endowed institutions, already recognize and appreciate that they, themselves, are in peril; that there is no justifiable gulf between education and business; that without the proceeds that come from constructive private business, schools must

(Continued on page 2382)

First . . .

IN WORLD-WIDE BANKING

IN 1914, The National City Bank of New York established its first overseas branch—in Buenos Aires. It was the first unit of any United States national bank in the foreign field. Other branches followed in commercially important cities until National City became *first* in world-wide banking.

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Coordinating their work is a group of National City officers in Head Office in New York. These men have been trained both at home and abroad. These foreign trade experts will gladly consult with you, and help in formulating your program for overseas business now or after the war.

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Cuatro Caminos (Havana)
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La Lonja (Havana)
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Manzanillo
Matanzas
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Medellin

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11, Waterloo Place

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PERU
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Mutual Funds

Food For Thought

Vance, Sanders & Co. has reprinted in the current issue of **Brevits** an article which appeared over 114 years ago in the January 1830 issue of the **Edinburgh Review.** The article gives much food for thought at this critical time. Here, for example, is the closing paragraph:

> **"It is not by the intermeddling of the omniscient and omnipotent state, but by the prudence and energy of the people, that England has hitherto been carried forward in civilization; and it is to the same prudence and the same energy that we now look with comfort and good hope. Our rulers will best promote the improvement of the people by strictly confining themselves to their own legitimate duties—by leaving capital to find its most lucrative course, commodities their fair price, industry and intelligence their actual reward, idleness and folly their natural punishment, by maintaining peace, by defending property, by diminishing the price of law, and by observing strict economy in every department of the State. Let the Government do this. The people will assuredly do the rest."**

* * *

W. R. Bull Management Co. has published a little folder on **Republic Investors Fund** showing the performance of the common stock in relation to the nine important advances and declines in the market from June 10, 1940, to March 20, 1944.

As might be expected from the common stock of a leverage fund, Republic common declined at a somewhat faster rate than the Dow-Jones Industrial Average in each of the four market declines during the period. On the up-side, Republic Investors common substantially outperformed the Dow-Jones Industrial Average in each of the five advances. Over the entire period, Republic Investors Fund showed a net advance of 82.8% as against 49.2% for the Dow-Jones Industrial Average.

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The PARKER CORPORATION
ONE COURT ST., BOSTON

Management Associates, Boston, Mass.

* * *

The new study on "The Automobile Industry and Two Great Wars," recently announced by **Hugh W. Long & Co.,** is now available. This folder contains charts showing the performance of automobile stocks after World War I and comparing automobile stock prices with production of cars and trucks over the 26-year period from 1918 to date. Another chart shows the performance of **New York Stocks Auto Series** in comparison with Chrysler and the Dow-Jones Industrial Average from the 1942 lows to date.

* * *

A new memorandum on **Railroad Equipment Shares** entitled "Need + Money to Buy = Profits" has been issued by **Distributors Group.** The memorandum stresses three main points:

1. The railroads **need** new equipment.

2. The railroads have **money to buy** new equipment.

3. An estimated post-war increase in railroad equipment **profits.**

It is estimated that in the first full post-war year the 15 leading railroad equipment stocks currently held by Railroad Equipment Shares will earn an average of $5.99 per share, as compared with $2.76 per share in 1943 and $2.75 per share in 1937.

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CHICAGO, 208 So. La Salle St. (4)

* * *

The current issue of **Abstracts** presents an interesting comparison of the performance of **Affiliated Fund** with the Dow-Jones Industrial Average during the "round trip" in the market from May 28, 1943, to May 26, 1944. The Dow-Jones Industrial Average stood at 141.18 at the beginning of that period and at 141.03 at the end. Affiliated Fund common, on the other hand, rose from 3.61 to 3.99 per share.

It is further pointed out by **Lord, Abbett,** the sponsor, that during this same period many leading individual stocks showed substantial net losses, ranging from 52% for Anaconda Copper down to 8% for duPont.

* * *

Keystone Corp. reports combined net assets of the 10 **Keystone Custodian Funds** at a new high of $82,500,000 as of June 2, 1944. The present total represents an increase of 37.5% from the combined asset figure of approximately $60,000,000 reported last year at this time.

Keystone Series B-2 had total net assets of $10,915,285 and Keystone Series S-3 had total net assets of $1,818,088 on April 30, 1944, the semi-annual accounting period for these two funds. The figures compare with year-earlier totals of $8,760,593 for Series B-2 and $1,138,613 for Series S-3.

* * *

National Securities & Research Corp. presents the fifth in its series of articles on "Scientific Developments from the Investor's Viewpoint" in the current issue of **Investment Timing.** "New Alloys" is the subject of the current article. The conclusion is expressed that: "While competition should be keen as a result of expanded production capacity, investment in stocks of alloy producing and fabricating companies should prove remunerative when selected wisely and at the right time."

Mutual Fund Literature

Distributors Group — A letter and a suggested mailing to "Prospects Who Are Corporation Executives." . . . **National Securities & Research Corp.** — An issue of **National Notes** devoted to **National Bond Series.** A memorandum showing portfolio changes in the various funds during May. Also a revised current information folder for June. . . . **Selected Investments Co.**—An issue of **Selections,** comparing the current level of the stock market and other financial indicators with levels of ten months ago. Also the current issue of "These Things Seemed Important." . . . **Keystone Corp.**— The current issue of **Keynotes,** containing a highly informative discussion on "Tax Refunds for Corporations." Revised portfolio folders on each of the four **Keystone Bond Funds.** Also a **Current Data** folder for June covering all 10 Keystone funds.

Dividends

Institutional Securities, Ltd.—A semi-annual distribution of 3¾¢ per share on **Insurance Group Shares** to stockholders of record June 30, 1944.

Keystone Custodian Funds — A semi-annual distribution of 50¢ per share on Series "B1" and 35¢ a share on Series "K2," payable June 15, 1944, to stockholders of record at the close of business May 31, 1944.

Wellington Fund—The Wellington Fund has declared a dividend at the rate of 20 cents per share payable June 30, 1944, to shareholders of record June 17, 1944.

Ewing With du Pont

Francis I. du Pont & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, announce the appointment of Alonzo P. Ewing as representative in the Detroit area of its investment advisory division.

Dewey Sees Revival Of States

(Continued from page 2362)

the American people have a steadying unity of purpose.

First of all there is unity in the war. The people of this country are determined to win this war, to win it on all fronts and to win it decisively and at any necessary cost.

They want that cost, as far as possible, to be in terms of their labor, their natural resources and the implements of war they can produce. They want it to be as little as possible in terms of the lives of our young men. Because of this, they want to know how best to use their efforts at home to save lives abroad.

Military affairs are being conducted by trained and efficient commanders. The superb achievements of our trained military and naval leaders have won and deserve the continued confidence of all our people. But the civilians want their home efforts and sacrifices to be effective to the limit of our capacity. They are worried about inefficiencies and bungling that they all see here on the home front.

Labor and industry are performing valiantly. But every resource of labor and management must be released and directed harmoniously to insure the earliest victory and the quickest possible return of our youth. This is one fundamental upon which we as a people are united.

Our people are united upon the proposition that our foreign affairs must be so conducted that disasters like the present one will not recur. We shall have to pay more attention than heretofore to what goes on in the rest of the world. Twice now, in a generation, troubles elsewhere have been allowed to grow until they became vast catacysms that engulfed us.

We must not again sit on the sidelines as mere observers or commentators, while future kaisers and fuehrers and war lords grow strong and perfect their plans for aggression. The American people are united in their determination to be competently concerned about what concerns us, and with positive determination to join in preventing future wars.

We are also united in the fresh determination to keep our nation great. Our founders conceived this nation as one destined to be a beacon light to all the world. For one hundred and fifty years we moved steadily forward to realize that great vision.

We created here a society which demonstrated how free men could work together productively in an atmosphere of intellectual stimulation and of spiritual enlightenment. Throughout that period the great American experiment was an inspiration to the peoples of the world.

We had good-will everywhere because we are, by our conduct and example, a life-giving nation. At times our progress was interrupted, but we recoiled only to move forward. American genius found a way to overcome dislocations when they occurred.

Then in the years before the war while the pursuits of peace were possible, we experienced ten years of retrogression in many important respects. During these years we lost confidence in ourselves. We had a ten-year depression, ended only by the feverish and deadly stimulus of war.

We had never before experienced a depression from which we did not quickly rebound to greated progress. No material reason was adequate to explain what had happened.

The American people are the most competent, vigorous and intelligent in the world today. There lie before us opportunities which are immeasurable. There is only one thing that can stop us from resuming forward progress. That is loss of faith in ourselves and in the simple, yet profound truths by which free men live.

With restoration of faith in ourselves and our system, with hard work and an end to quarreling, the American people will again go forward. They will recapture their self-confidence and self-pride in worthy achievement. In the future we shall again be the great people which our heritage and our vigor command.

The means by which our present unity in war can be preserved in the peace to come is the vital problem of our time. It seems to me that much of our success in war has come from the sense that every individual citizen has a personal job to do.

While there has been a maze of regimentation, some necessary, some inexcusable, our strength at home has come wholly from the genius of our free men in industry and the devotion of our workers and our farmers to their jobs.

Our success or failure after the war will depend on whether we, as a nation, take to heart the lesson the war has taught us. If we permit the continuance of the regimentation which some so earnestly desire, we shall fail.

We cannot practice in peace the centralization which brought totalitarianism to our enemies and be either free or successful. We can release and rely upon the energy and spirit of the freedom for which we fight. In that way we cannot fail to be both free and successful.

In this meeting I think I see not only the means by which we go forward again but the fresh, confident leadership the nation needs. Each of you came to the head of your Government in a period of crisis, determined to do a job for your State and your country. The result has been that the Governors of the States are heard with new force and influence in the nation.

This is fundamental, I believe, because it represents an administrative revival. It stands for a revival of powers close to the people. It stands for a revival of responsibility close to the people.

It means that we are emerging from a period in which the communities and the States engaged in a holiday of surrendering responsibility to the National Government. It marks at least the beginning of the end of the surrender of their power by the people.

Our success in the war and the future of our country are indissolubly tied up with the maintenance of competent State Governments, competent governments in cities, counties, towns and villages. That is the essence of the Federal system we are sworn to maintain.

All of us, I am sure, no matter which our party, are deeply concerned that our respective States maintain their responsibilities in the war and after. But we can succeed in that objective only as we meet effectively our opportunities to advance the welfare of our people.

I have first-hand evidence in my own State, as I am sure each of you has in his, that the people want to bring responsibilities and obligations closer home. In the field of finance, for instance, it has been encouraging to witness the whole-hearted approval by the great majority of New Yorkers of the buttressing of the State's finances.

For the most part, our States will emerge from the war in a relatively stronger financial position than that of the Federal Government. The National Government will be confronted with an enormous debt and an enormous annual charge for debt service.

Meanwhile, the States have been able to strengthen their financial position greatly in recent years. We have found it possible to effect many economies, some permanent, some temporary. At the same time, the high rate of industrial activity and of employment has, in general, increased State revenues. Inevitably, this situation evokes some large questions of fiscal policy.

In my own State, and I am sure that others of you have had the same experience, there was certainly no lack of helpful suggestions about how to use the State surplus. Some groups suggested that it would be used to reduce taxes. Others were eager to see the surplus given away to aid them or particular causes they favor.

We felt that neither of these courses was morally or economically defensible. Either tax reduction or increased spending in times like the present would be equally unsound and irresponsible.

The State's surplus, as we saw it, was not ours to spend nor ours to give away. It was, rather, a fund which we held in trust for those who had left their homes to fight upon the battlefronts or to work in the munitions plants.

Moreover, we know that fiscal policy is following a treacherous course when it reduces taxes in relatively good times only to face the necessity of increasing taxes in hard times.

We adopted the principle that in good times one should save up for a rainy day in order that, if hard times come, there may be funds to meet necessary expenditures without adding to the burden of taxes.

What we did with our State surplus, therefore, was to lock it up. The entire sum, now amounting to $163,000,000, has, by act of the Legislature, been put into a reconstruction fund.

It will be available during the war period for reinvestment in United States Government securtities to help the national war effort. When the war is over, it will be there to help us finance a post-war program of necessary deferred works.

It will contribute toward the economic and social rehabilitation of the men and women who will return from our armed forces and from the war industries. In addition it has been possible to provide full unemployment insurance and extensive educational and vocational training opportunities for our veterans. Our people propose to start with a healthy effort to help themselves.

In this job of helping the returning veteran to find employment, the States, so far as lies within their power, must seek to encourage the development of sound employment opportunities. To some extent there will be needed post-war public works which can help to stimulate the real jobs.

In New York our post-war Public Works Planning Commission is preparing a program of needed public works construction which will also provide immediate employment when needed. The commission also allots funds and assists the municipalities in the preparation of plans.

Many plans are already completed and on the shelf for needed and sound improvements. None of these will be "made work" projects. We are pushing ahead, getting blueprints ready for sound and essential construction and tossing all of the frills out the window.

By these and similar plans the various State governments are doing much to cushion the effects of post-war economic readjustment. But we must never forget that the heart of the economic life of America is business and industrial enterprise.

It provides the great preponderance of employment opportunities for our people. Here, again, State government can help. Our Department of Commerce is engaged upon a program to encourage business development and stimulate job opportunities.

It is making an inventory of all the manufacturing firms of the State. It is obtaining figures about their volume of employment both before and during the war and estimates of their employment potentialities in the post-war period.

Business men are being encouraged to plan for the future. We are investigating as accurately as possible the approximate dislocation of workers in war production so as to be able to meet their needs.

There is still another vital question with which I know we are all concerned. That is the production of food for war and the maintenance of a prosperous agriculture. Here, again, the people themselves and the units of Government closest to them can do the job best if they are encouraged and permitted to do it:

When I had the honor to speak to you over a year ago the consequences of remote control had become glaring in the food problem of our State. To meet the situation we created the Emergency Food Commission and appointed a Farm Manpower Administrator to work with that commission.

The farmers of New York rose to the occasion in a fashion that made the people of the State proud indeed. They had inadequate help, hardly any new machinery, sometimes not even enough gasoline to plow or cultivate their fields and they were confronted with excessive regulation from Washington.

But the Emergency Food Commission and the Farm Manpower Administrator overcame many apparently unsurmountable obstacles. The farmers were able to harvest and process their crops last fall without any loss, thanks to the help of a volunteer army of 111,000 workers.

Despite temporary surpluses of some products and removal of rationing of others, I fully expect that our Emergency Food Commission this year will have even more critical problems to meet.

The State and Federal farm manpower agencies have estimated that in the coming months we shall need in New York State alone a volunteer army of farm workers of 140,000.

I am sure each of the States is facing a similar need. But if we continue in the magnificent spirit of local leadership and neighborly help we will all again plant and harvest our crops.

I wish we could hear the experience of all the States in striking out boldly, as they have done, to meet the challenge of war. The fact is that each of the States has done it. The result is the beginning of a new revival that goes down to the roots of America.

It is a revival of growth, the principle of growth in our common life. It is a new willingness to face the future without prejudice, with open eyes and eager minds. It is a determination to do a good job and not to pass the buck to someone else.

This is not a matter of State's rights. It is a matter of affirmative acceptance of local responsibility. It is significant that the members of this group of Governors are largely in early middle life. You are not tired by long doing. You are fresh for great tasks ahead.

This group will be a wholesome influence when we face, as we must, the redistribution of functions, powers and people which have swarmed about our national Government.

You are ideally placed to see that all possible functions of government in this country will proceed close to their source. That source is the people.

With the help of the driving influence of the men in this room, there will be determination never to permit that concentration of national power, power which would wipe out our republican system and substitute a disguised totalitarianism.

There will be no reaction after the war. America never goes backwards. There will be no surrender to aggregations of power either in civil life or in Government. Our country always has and it always will go forward because its people are free men and women determined to remain free.

The American people intend to win this war and to be done with fighting both at home and abroad. The war against our enemies must be pursued inflexibly, efficiently and to a quick solution. When victory is won it must be won for good.

The task of political leaders is not to lead one part of the American people against another in violent crusades about unessentials, The task is to unify in peace, as in war; to keep and build our new-found faith in ourselves, in our country and in our God.

The evidence is overwhelming that the new competence, the new acceptance of responsibility shown by the Governors of the States reflects a new determination by our people that the freedom we have re-won at war shall be re-established and maintained in peace.

THE NEW YORK CENTRAL RAILROAD COMPANY

EXTRACTS FROM ANNUAL REPORT—1943

To the Stockholders:

During the year 1943, transportation, and particularly rail transportation, again proved its indispensability to the war effort. This is amply recognized in statements of executives in all branches of the Government, who have highly commended the outstanding service of the railroads. Wide public recognition of the importance of the railroads in the prosecution of the war and of the efficiency with which they have performed their service is also apparent.

Your Company, as one of the great rail carriers of the country, had an important part in this transportation job. It carried more passengers and moved more freight more miles in 1943 than ever before. Further expansion of the nation's tremendous industrial production for war was chiefly responsible for this record-breaking traffic. The continued diversion to the rails of traffic normally moved over highways and waterways contributed to the load. The growth of the armed services still further increased the transportation requirements for troop movements and furlough travel.

As a result of the unprecedented volume of traffic created by the war, the operating revenues of the Company in 1943 were greater than in any previous year. Despite heavier costs, the record volume of traffic enabled the Company to earn a net income of $62,734,050, equal to $9.73 a share. Other factors contributing to this result were operating efficiency and lower fixed charges resulting from the Company's policy of debt retirement.

As of December 27, 1943, the United States assumed possession and control of the railroads of the country to prevent interruption of transportation service. Such possession and control were relinquished as of midnight, January 18, 1944, and mutual releases were exchanged between the Government and the Company.

Operating Results

Total operating revenues increased 18.9% over 1942, the increase in passenger revenue being 44.3% and in freight revenue 12.2%.

The volume of freight moved, as measured by the number of tons moved one mile, reached a new peak and was 11% larger than in 1942. The revenue per ton mile was 8.75 mills, the lowest since 1919 except in 1942 when it was 8.65 mills.

Passenger traffic, as measured by the number of revenue passengers carried one mile, the heaviest on record, increased 56% above 1942. Revenue per passenger mile averaged 1.905 cents, compared with 2.058 cents in 1942. The movement of armed forces in active military service continued to contribute largely to the increased volume of passenger traffic, as did travel at reduced fares by members of the armed forces on furlough.

Railway operating expenses (before taxes, other deductions and fixed charges) increased over the previous year by $74,667,501, or 18.5%, reflecting the greater volume of business as well as increased rates of pay, higher costs of fuel and other materials and supplies, and larger accruals for depreciation and amortization.

Railway operating ratio was 67.60, the lowest since 1916 and slightly lower than in 1942, when it was 67.83.

Taxes

There was an increase, compared with 1942, of 47.2% in railway tax accruals, the total of which absorbed more than seventeen cents of every dollar of operating revenues, was equivalent to $18.93 per share of stock, and included $78,437,781 for United States and Canadian income and excess profits taxes, or $12.16 per share.

Net Income and Dividends

Net income, after all deductions, was $62,734,050 and was transferred to the credit of Earned Surplus.

The Board of Directors, on May 12, 1943, declared a dividend of $0.50 per share on the capital stock, payable July 15, 1943, to stockholders of record June 11, 1943, and on November 10, 1943, a dividend of $1.00 per share payable January 15, 1944, to stockholders of record November 20, 1943. The amount of these dividends, $9,671,091, was charged to Earned Surplus.

Net Working Capital

Current Assets and Liabilities are set forth in the Condensed General Balance Sheet and show Net Working Capital at the end of the year of $107,112,821, an increase of $55,650,319 over the amount at the end of the preceding year.

Capital Obligations

During the year, a reduction of $25,770,184 was effected in the amount of capital obligations (including amounts payable to the State of New York on account of grade crossing eliminations, and amounts payable in respect of equipment acquired under railroad equipment agreements assigned to banks) of the Company and its lessor companies outstanding in the hands of the public. At the end of the year, the total of such obligations was $891,967,063, compared with $917,737,246 at the end of 1942, and $1,108,807,952 at the end of 1932.

Interest charges computed on an annual basis, on the obligations outstanding at the end of 1943, were $12,323,586 less than on the obligations outstanding at the end of 1932, a reduction of 26%.

Wage Increase

As stated in the annual report for 1942, organizations representing fifteen groups of railway employes served notices on September 15, 1942, requesting a further increase in pay of twenty cents per hour with a minimum hourly rate of seventy cents and on January 25, 1943, other organizations representing locomotive enginemen, firemen, conductors, trainmen and switchmen, served notices requesting a further increase of thirty per cent with a minimum increase of $3. applied to the daily rates. Following the various steps in the procedure prescribed in the Railway Labor Act, culminating in the findings of emergency boards appointed to consider such requests, the railroads accepted the findings of these boards, although the organizations rejected them.

In the months that followed, a solution of the controversy was sought by further conferences between representatives of the carriers and of the organizations. A committee of Congress took the matter under consideration and the President of the United States offered to arbitrate the questions at issue. Meanwhile the organizations had called a nation-wide strike to become effective commencing December 30, 1943.

Possession and control of the railroads were assumed by the United States on December 27, 1943. Subsequently agreements were reached between the carriers and the organizations, the strike call was cancelled, and the railroads were returned to their owners.

As a result of these agreements, the non-operating employes received, retroactive to February 1, 1943, increases in their basic rates of pay on a graduated scale from 4 cents to 10 cents per hour. They also received certain additional increases effective as of December 27, 1943, for the duration of hostilities, in lieu of overtime payments after 40 hours per week; which latter increases, when added to the aforesaid graduated scale of 4 to 10 cents per hour, produce aggregate increases ranging from 9 to 11 cents per hour.

The operating employes, in accordance with these agreements, received, effective April 1, 1943, an increase of 4 cents per hour in their basic pay, and in lieu of claims for time and one-half after 40 hours per week and for expenses away from home, an additional increase of 5 cents per hour effective as of December 27, 1943, for the duration of hostilities, and, commencing in 1944, an annual vacation of one week with pay at the basic hourly rate. (Pursuant to existing agreements, non-operating employes already receive vacation with pay.)

These increases will add approximately $33,912,000. to the annual payroll costs of the Company based on present employment, and will require payment of additional railroad retirement and unemployment insurance taxes estimated at $2,066,400, a total of $35,978,400.

Freight Rates and Passenger Fares

In a decision, dated April 6, 1943, the Interstate Commerce Commission found that the added revenues resulting from the increases in freight rates and charges, authorized for all railroads early in 1942, were not necessary under the conditions existing at the time of the decision. The authority to continue such increases was therefore suspended from May 15, 1943, until January 1, 1944. No reduction was required with respect to standard interstate passenger fares, but authority to continue increases in commutation fares was revoked. In a supplemental report of the Commission, dated November 8, 1943, the increases in freight rates and charges were further suspended until July 1, 1944.

For Comparative Income Account, Balance Sheet, etc., see Statistical Issue dated June 12th.

"C.P.R."—Links Canada with
the Four Corners of the World

We have prepared an eight-page pamphlet outlining the substantial financial improvement that has marked the operations of the C.P.R. over the past five years. This is illustrated by graphic comparisons of 1938 with 1943.

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Canadian Securities

By BRUCE WILLIAMS

The Canadian Department of Finance, headed by the indefatigable Mr. Ilsley, appears on the threshold of another noteworthy achievement. As reported several months ago, the Canadian Minister of Finance took the initiative in clearing up the highly troublesome succession duties situation which has plagued executors of estates on both sides of the border for many years.

Now, according to a report from Ottawa, agreement has been reached between Canada and the United States for a new reciprocal arrangement in respect of succession duties, and the negotiations have reached the stage where announcement of a joint international convention is imminent.

This correction of an obvious inequitable state of affairs is timely in view of the growing importance of the market for Canadian securities in this country. Although comparatively restricted in its scope, this double taxation of estates caused such feeling that trustees in a body liquidated all Canadian securities held, whether subject or not to this taxation. It is to be hoped, therefore, that on removal of this impediment this important section of the investment community will shortly feel free to consider Canadian securities as desirable additions to investment portfolios.

This encouraging news coincides with the further welcome development of the approval by an overwhelming majority of the bondholders of the City of Montreal debt reorganization plan. The essence of the plan is that the maturities of the city are uniformly arranged from 1946 to 1975 so that the yearly service of the debt which will provide for both interest and debt reduction by 1975 will be approximately $14,000,000. As the city revenues in the past four years varied from $49,000,000 to $54,000,000 approximately, the debt service will be less than 30% of total revenues. Thus this great Canadian metropolis takes on a new and simpler financial lease of life, and it can be confidently anticipated that in view of this and its leading position among the Canadian cities, the credit standing of Montreal should in due course rank higher than ever before.

During the past week market activity was at a comparatively low ebb. In view of the development previously discussed, Montreal issues were the principal feature and there was a fairly large turnover at higher prices. Direct Dominions retreated from their recent high levels, but there was still a steady replacement demand for short-term Nationals which should, if anything, become more accentuated as we approach July 1, the call date. Canadian Pacific perpetual 4s were very strong and touched a new high of 97. There was scattered trading in the provincial issues and pricewise there was little change.

Internal issues continued in fair demand and the Canadian dollar in the "free" market maintained its strength at 9 5/16% discount. An intensified demand for gold shares was a contributory factor; results of recent diamond drilling, principally in the Northwest Territories, have been quite spectacular. Thus it would appear that past predictions concerning the potential wealth of this region were by no means unjustified. As soon as labor and machinery become readily available there is little doubt that the Canadian Northwest will prove to be one of the richest sources in the world of the rarer metals.

Turning to possible future developments, it seems that, as with investment markets generally, invasion influences have been thoroughly discounted. The Canadian market here during recent months has advanced steadily to reach a point where a slight reaction would not be surprising. However, there appears no reason to expect any basic change of trend, as there is still the important factor to be taken into consideration that interest in this country in Canadian securities continues to develop.

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CANADIAN SECURITIES
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Production Trends And Outlook

(Continued from first page)

reaction at the termination of the war, with the whole situation reaching its denouement in a great post-war boom?

* * *

Surely there are the same reasons now that have always existed to explain this normal sequence of war and post-war events. To begin with, we have a vast amount of unsatisfied desires and postponed wants. (In business, the counterpart of this is a terribly depleted business capital.) To implement the desires that come from these deficiencies, there is a vast and growing purchasing power in terms of currency. Individual incomes have soared since the war began, much more than have taxes or the cost of living. The vast potential inflation existing in the shape of bank deposits, the growing effectiveness of which is finding expression in the diminishing excess reserves of the central banking system, should be known to all. There has been a subnormal use of private credit throughout the war. This is seen in the retirement of some 34 billion dollars of private debt, and in the abnormally low level of bank loans.

In general, therefore, the destruction of capital throughout the world, and the disruption of the productive mechanism, invite and challenge a great upsurge of productive activity. It has always been so after great wars.

The usual sequence calls for a sharp rise in production during the first two or three years of a great war. This "war boom" is partly due to the production of needed plant and equipment, and activities in the way of converting civilian industries for war purposes. Partly, however, it is due to increased effort and efficiency under the stimulus of the war emergency.

After this initial spurt, the war machine having been completely set up, and stocks of materials accumulated, there comes a dip in production. Then periods of manpower shortage are apt to become effective, as is now the case.

Is this not exactly what has happened since 1939? Probably the peak of war production was reached last Fall. There has been a dip recently, as stocks of semi-finished goods of various sorts (such as zinc) accumulate, and the great decline in building and construction, to say nothing of machine tools, shows that the war plant has been completed. At the same time, civilian production is held back pending greater certainty as to the final outcome of the war; and, of course, action on private post-war plans must be held in abeyance.

Usually after the first dip in the war boom, there is a recovery, which does not, however, carry production above the preceding peak. This, too, may be expected. At the present time, for example, we are just ending the landing-barge and landing-mat stage in steel production and are in the midst of a great demand for "shell steel," heavy ordnance, and lumber. Invasion uncertainty prevails; but just as soon as the end can be foreseen, civilian production will be stepped up, which will be before the war ends.

In the post-war period, there is usually a relatively short decline, lasting perhaps for some such period as a year, soon after the coming of peace is known or anticipated. On the one hand, war production is apt to be curtailed sharply. (Today, for example, many war contracts are not being renewed. Many are being "cut back." Some are being cancelled.) On the other hand, civilian production, while picking up, gains more slowly. Indeed, there can hardly be a complete shift to a civilian economy before the expansion in building activity and other heavy industries pick up momentum. The composition of these two forces—the relatively sharp decline in war production and the more gradual rise in civilian output, results in the first post-war reaction—a minor one.

In this phase, any uncertainty affecting post-war business plans may have a considerable retarding effect. Perhaps uncertainty concerning radicalism, by checking incentives to investment and enterprise, may delay the pick-up of civilian production. Perhaps, as the first strain of readjustment is felt, the demands of labor may come to a head in the shape of strikes for higher money wages. Certainly, as the end of the present war draws near, labor leaders will increase their efforts to get higher hourly wage rates to make up for the reduction of overtime pay that is already beginning.

Following the first post-war decline, however, there always comes a period of great so-called prosperity—a period of post-war inflation, characterized by great expansion of production and employment. Such a period is almost certain to return to, or exceed, the preceding peak of war production. This is true because of the great shortages which war creates, particularly in capital goods, and the use of technological developments which are usually stimulated.

* * *

Now to the question, Why should this usual sequence of events not carry through from here? If the war ends in 1946, why should there not be a minor recession in 1947, followed by a post-war boom before the end of 1948, which might carry on for at least two or three years?

The first point I would make is a negative one, namely that there has been no such relatively great expansion down to the present time as some fearful analysts have fancied. The plain fact is that the industrial production index, by which most observers judge the expansion of production, is itself inflated! It is based so largely on man hours, and other substitutes for data showing actual output of products, that it does not truly reflect industrial production in any ordinary sense of the term. The only things we have too much of, are war goods and non-productive labor.

It has been estimated by one careful student that the real increase in industrial production in the three years from 1939 through 1942 has not been 68%, as the Federal Reserve index says, but really only 35%. This compares with an increase of 32%, from 1914 through 1917, the corresponding period in World War I. The two increases are substantially the same. (Incidentally, I note that there has been almost identically the same rise in the price of farm lands in the two periods of the two wars.) Thus we do not start from any such extraordinary peak as the Reserve Board statisticians would suggest.

Note the big difficulty, and the big difference between the outlook for production today and that in other wars, lies in the retention of certain destructive forces, which is now threatened. These head up in a lack of incentive to enterprise. The forces I refer to are that American form of collectivism (which kept ten million men unemployed in the pre-war period), and the active propaganda for the projection of war controls into the post-war period. It all comes down to so-called post-war planning by government. Unless industry is given freedom to expand, how can one be sure that it will expand? Unless prices are allowed to rise, there will be no great gain in production or in employment. If we are to continue rationing and price-fixing in the post-war period, we need not expect a post-war boom. That would mean a "managed economy," which would not let the purchasing power already created come into use. That would substitute deflation for inflation.

* * *

So the question America, to say nothing of the business forecaster, has to decide with reference to production trends and outlook, is, What shall be the attitude of its government toward the system of free private enterprise? I do not hesitate to say that if that attitude is to be represented by the words of a high Department of Commerce official, when he says that, with the aid of the Government, we must try to spend more than our combined income, and that the basic requirement is to maintain a national income that will create full employment, the future is dark.

Much of the trouble lies in the smart-alec idea that the Government can "create purchasing power" — or make the people think so—by taking money away from its citizens as fast as it hands that money out to them. Sometimes this is disguised by saying that the people will enjoy saving, and will continue to hand over their money gladly Sometimes there is talk about the desirability of buying Government bonds, as if "saving" were the same as "investment." Never is there any definite idea of giving the money back in terms of identical purchasing power. You see, the idea is that the Government, after giving money out and taking it back, will then have it again so that it can spend it again, or otherwise give it back again to the people from whom it took it!—again! The more the Government borrows, the more it spends; and the more it spends, the more it can borrow. That is about the basis for saying that we need a national income of this or that number of billions of dollars in order to support a national debt of this or that number of billions! That is what is now meant by a managed economy. The managed economy has become one in which the Government manages to keep people from spending their own money as they please. Anyone who thinks that under such conditions we are likely to have prosperity and full employment, is not in touch with the realities.

Tell me how long the people, and notably the laborers, are going to fall for this shell game, and I'll tell you when the big post-war boom will get under way. Now they see their money; now they don't. People are now shell shocked. But when the war is in the bag, they will more and more demand their money's worth. They will be less and less willing to save. They will want more of a run for their money than they can get at 1 or 2%. Then they will buy and buy. They will not tolerate rationing. Prices will rise. Profits will grow. Once the war is won, price control will be like prohibition—futile!

It is sometimes said that if all of us spend freely, we will have production brought to full capacity and full employment This may be true, but one might as well say, "If you can put salt on a bird's tail, you can catch it." If the Government has to do a large part of the spendng and if it makes disturbing conditions so that incentive to private industry or initiative is destroyed, investments will be cut, and idle men and idle money will increase. Then someone will arise and say that if businessmen won't, the Government will — which is collectivism.

I assert that the only way to get production increased in a free country is to let people earn and spend their own incomes, and to allow prices and profits to increase. I am confident that unless and until these things are done, there will be no full employment or maximum production. With still more confidence, however, I predict that the American people will soon be fed up with the shell game which consists in giving them money and taking it away, without giving them anything they want in return; and I therefore go on to predict that something approximating the usual post-war sequence will occur.

Already the trend of war production is downward, and is likely to continue so as a total. Prices of many materials will be easier for a time. The general manpower shortage will certainly be no worse.

But civilian goods production is champing at the bit. It has great possibilities, and requires little urging to expand with growing momentum. While the volume of effective war contracts is being reduced, the shortages of civilian goods accumulates, and the purchasing power in civilian pockets expands enormously. A current illustration is the tendency of women war workers to return to their homes. As the indexes of war production and employment decline (partly on account of the retirement of women workers) the demand for civilian goods for use in the homes to which they return, should grow.

Aside from political handicaps (expressed in the easy-money policy, the full employment notion, and post-war planning), never will a great war have ended with as much reason for a post-war boom as will exist in, say, 1948. Some of these reasons are:

(1) Hardly any new automobiles and electrical household equipment for home uses in four or five years.

(2) Hardly any new residential building, and the materials and equipment which usually go with it.

(3) The accumulated demand for a great variety of consumer goods (e. g. silk and nylon stockings).

(4) The total business capital of all active corporations (net worth) is far below pre-war levels, and requires expansion.

(5) The estimated total income paid to all individuals has risen from about 71 billion dollars in 1939 to around 150 billion dollars now.

(6) The burden of taxes has been much greater than in other wars, and relief from it will stimulate expansion.

(7) There has been an enormous rise in bank deposits, and an actual decrease in bank loans.

(8) Private debts have been reduced by about 34 billion dollars, which means important credit possibilities, and aid expansion in the reconversion period.

(9) Installment credit has been reduced to a minimum.

(10) Many business concerns have greatly strengthened their financial position.

On top of these facts, we now find signs of a more favorable political climate, to the extent of tax provision for a two-year carry-back of operating losses and unused excess profits credits, a fair war contract termination bill, and a reasonable assurance that surplus war property will be wisely disposed of.

And don't forget the building cycle. Building activity has fallen to levels which closely approximate the minimum. There are plain statistical indications that the curve of building activity is at or near bottom, and that with peace it will almost inevitably begin a long period of expansion.

Studies of employment, including both civil and military, indicate the probability that, with the coming of peace, the following developments may be expected (barring collectivist experiments):

(1) The number employed in war industries, and in the armed forces, will decline rather sharply for about three years (say through 1947).

(2) At about the same time, civilian employment in productive industry, will expand, but more gradually.

(3) The total number of employed will therefore decline during these first two or three years of peace.

(4) The decline in the number of those on war payrolls will then cease, however, and the cumulative growth in peace employment will cause total employment to expand during a long period of post-war prosperity.

It is tentatively my idea that, if the New Deal element were to win in 1944, the policy of Government would be unfavorable to business expansion until some such time as 1948. Now suppose that the war ends in 1946. That would mean the low point of the first post-war recession sometime in 1947. Then, if it became apparent that Roosevelt would not be reelected in 1948, which is a development that would occur in 1947, the result would be a great pickup in business and an expansion in the shape of a post-war boom which would begin in 1948.

If the New Deal element is at last put in its place, however, this "time schedule" will be speeded up, and expansion will be quicker. Post-war planning would then be helpful to enterprise and productive employment. The low point in the first post-war recession would not be so low. Prices and profits would thereafter rise faster and farther. Production would then reach a new all-time high.

As soon as Dr. Gallup throws more light on the subject, I will revise this forecast!

Louisville Bond Club To Hold Election And Annual Summer Outing

LOUISVILLE, KY.—The Bond Club of Louisville will hold its annual summer outing on Friday, June 9, at the Louisville Country Club. Golf, swimming, tennis, etc. will be featured during the afternoon, followed by dinner at 7 p. m. and the election of officers.

The following have been nominated for officers of the club:

President: Otto Ruth, James C. Willson & Co.

Vice-President: J. R. Burkholder, Almstedt Brothers.

Treasurer: Joseph Parks, Berwyn T. Moore & Co., Inc.

Secretary: Hector Bohnert, The Bankers Bond Company.

Nat'l Committeeman: Thomas Graham, The Bankers Bond Company; H. Allan Watts, W. L. Lyons & Co., as alternate.

A golf tournament will be held during the afternoon for the Arthur Sedley Memorial Cup donated by the Bankers Bond Company.

Guests of honor will be Elliott Lemon of the Securities and Exchange Commission in Cleveland; Neil Ransdick, chairman, and Sheldon Clark, secretary, of District No. 10 of the N. A. S. D.; and Eban Fuller, Securities Commissioner of the State of Kentucky.

Reservations are $2.50 per plate (free drinks) and should be made with Ora M. Ferguson of Merrill Lynch, Pierce, Fenner & Beane.

John R. Carter Dies; Morgan Cie Partner

John Ridgely Carter, senior partner of Morgan & Cie., Paris, died on June 3 in New York after a long illness at the Knickerbocker Club, where he had been staying. He was in his eighty-second year. His daughter, Mildred Countess of Gosford, his sister, Mrs. Arthur L. Fisk, and his daughter-in-law, Mrs. Bernard S. Carter were with him. His son, Lt.-Col. Bernard S. Carter, also a partner in Morgan & Cie., Paris, is serving overseas in the U. S. Army.

John Ridgely Carter was born in Baltimore, Md., on Nov. 28, 1862, the son of Bernard Carter and Mary Ridgely Carter. He was graduated from Trinity College, Hartford, in 1883, and after taking his M.A. degree there in 1885 he studied in Leipzig for a year. He took a law degree at Maryland University in 1887, and after studying for a year at the Harvard Law School, he was admitted to the Maryland bar in 1889. He became Secretary to the American Ambassador in London, Thomas F. Bayard, in 1894, and two years later was made Second Secretary to the Embassy. In 1897 he was American Charge d'Affaires in London. After serving as Associate Secretary of the Alaska Boundary Tribunal in 1903, he was Counselor of the American Embassy in London from 1905 to 1909, when Whitelaw Reid was Ambassador. He was our Minister to the Balkans from 1909 to 1911, and was sent to Constantinople as our Acting Ambassador from 1910 to 1911. On Sept. 21, 1914, he became a partner in Morgan, Harjes & Co., Paris, and he continued to make his residence in that city until he returned to this country late in 1940. He was the senior partner of his banking firm since the death of Mr. H. H. Harjes in 1926, when its name was changed to Morgan & Cie., Paris.

In 1887 Mr. Carter married Miss Alice Morgan, sister of the late William Fellowes Morgan of this city. She died in 1933. He is survived by two children, Lt.-Col. Bernard S. Carter, and Mildred Countess of Gosford, and seven grandchildren; by his sister, Mrs. Arthur L. Fisk of this city; and by a brother, the Rev. George Calvert Carter, now retired.

It is also announced that:

"Mr. Carter became one of the most widely known and respected American residents in Europe. He was a Grand Officer of the Legion d'Honneur, a Governor of the American Hospital of Paris, and warden and Treasurer of the American Church of the Holy Trinity, Paris. In 1911 Trinity College conferred on him an honorary doctorate of laws. Mr. Carter was identified with many philanthropic activities. One of the chief of these was the "Lighthouse," organized after the last war in France by Miss Winifred Holt to care for men blinded in the war. Mr. Carter served this institution as General Secretary, and its building up and maintenance became one of his chief interests. It was largely due to Mr. Carter's personal gifts and funds that he obtained from his many friends that "Le Phare de France" and Braille press and library in France were maintained.

Post-War Possibilities

Eversharp, Inc. offers attractive post-war possibilities, with no conversion problem expected, according to an analysis of the situation being distributed by Stanley Heller & Co., 30 Pine Street, New York City, members of the New York Stock Exchange. Copies of this interesting analysis may be had from Stanley Heller & Co. upon request.

This announcement is not an offer of securities for sale or a solicitation of an offer to buy securities.

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Dollars Of Destiny

(Continued from page 2377)

starve! In return, with a healthy atmosphere in the schools, kept free of disturbing "isms," the schools will be in a position to raise up a generation of sound thinkers and clear observers prepared to become resolute, informed participants in the affairs of government and everyday life. Schools and business are natural allies.

It ought to be burned into the consciousness of every citizen that the first line of defense in a free country is a balanced budget.

Our national debt at the close of the war will approach 300 billions. Will history then repeat itself? Who then among us, groaning under such a crushing loan, may not welcome the man on horseback who, down through the ages, has made his appearance—some political adventurer, who will clothe himself in robes of superhuman wisdom and succeed in making us believe that our salvation depends upon his retention in power? Then democracy will surrender to despotism, perhaps as complete as that under which so many people and so many nations have gone down, and under which nations today, nations of culture, courage, and education are cringing in slavish impotence. What a sordid spectacle! What a disturbing sermon to us who are still free!

Let us dismiss any gay optimism clearly intended to charm and disarm us. The time calls for action—speedy action, intelligent action, determined action—even at this time before the conflict ends. It must be organized action, while action is still possible; and before we, too, are robbed of our weapons; before we lockstep under the whip of a despotic government that may continue to sing mock praises to a defunct Constitution. The name "democracy" will be maintained, but its substance will have departed. What to do? We must map out our course for peacetime enactment. We must select a few fundamentals upon which to rebuild. What are they? They may be stated briefly:

1. Re-establish the abandoned control of the budget under an official whose term of office shall be for ten years; who shall be authorized to check all requisitions from any and all sources, for moneys to be paid out of the public treasury, confining all such disbursements to those specifically authorized and approved by Congress, and in such amounts, in such manner for such purposes as Congress has specifically stipulated.
2. Strip all Federal agencies, irrespective of name or description, of the power to create obligations for any purpose or under any circumstances, except by direct Congressional sanction.
3. Call upon Congress to function as the one exclusive authority to contract public indebtedness—the only one authorized to determine what money is needed to meet the current expenses of government and to anticipate future obligations; to be the only borrowing or bonding Federal agency, as prescribed by the Constitution.
4. Change the bookkeeping system of the United States and all its subdivisions so that it will be complete, intelligible, honest; so that it will reveal, and not conceal, our actual financial condition.
5. Make government withdraw from the competitive field against its own taxpaying citizens; to continue to regulate and supervise, justly and constructively, but not to participate in the manifold affairs and transactions of business.
6. Restore to the States their once proud position as independent commonwealths, supporting their own enterprises, providing for their own worthy ones in need, and remaining safely within their own incomes.
7. Maintain the tax-conscious electorate. This self-reliant army composes America's best citizens. That this government is worth saving, all decent citizens will admit. In order to save it, all must pay on an equitable basis for its preservation. Those who are not assessed to perpetuate it, will never be conscious of its priceless worth.
8. Take and keep all relief out of politics.

The crying need for the restoration of all these keys to honest, solvent, and humanitarian government seems so obvious as to require neither comment nor defense.

But perhaps one statement at this point is necessary. It has to deal with relief. Let no citizen be naive enough to believe that a change of government will solve that problem overnight, because the technique of capitalizing the relief vote has been so perfected and its vote-getting efficiency so clearly established that politicians of the future, if left unhampered, will be disposed to continue the tricks and ruses employed by the politicians of the present. Unless then relief operations and control are decentralized, taken away from Washington and placed under State control, our elections will be mere contests in the purchase of the votes of the distressed, and our system of government with its free, coordinating checks and balances, will be doomed. Our worthy needy must be taken care of, but not corrupted.

This is sound doctrine, because at the close of the war, the states and their subdivisions, will largely be debt-free, while the government will be burdened with a debt nearly equal to the total national wealth.

We must know that the destruction of savings and the starvation of production brought on by ever-increasing government doles and deficits will mean ultimately the loss of our capacity to take care of the needy. It is the thrifty citizen and not the government that must and does provide the money for this purpose. Finally, the interests of those on relief are identical with the interests of all thrifty Americans. And why? Because government cannot continue to care for the needy once the capacity of the thrifty, saving people of America has reached the dead end.

The eight points mentioned are simple fundamentals of a sound, solvent, representative government. We and all like-minded, discerning citizens must declare and contend, without compromise, for their immediate restoration and operation in the affairs of our Federal government.

These are not idle words when we declare that the fathers handed down to us the instruments of freedom, shaped on the anvil of experience, providing these safeguards for solvent government and Christian conduct. Are we disposed and determined to transmit them, unimpaired, to those who are to follow us, who will bear our names, and who, too, claim the right to be born in a land of individual freedom and liberty; to live under a Constitution that has full meaning; and to behold the Stars and Stripes as an enduring, intellectual, spiritual and political triumph? Men have struggled throughout the centuries, up from serfdom to freedom, in which we now bask. It lies in our power to determine the fate of these unborn generations. What we now do will prove to be a powerful factor in deciding not only our own future but also the nature of the legacy to future America. Will it be the despotism of debt or the security of government solvency?

We should lack neither guidance nor inspiration for we should have a clear understanding of our rights and obligations. We must now determine whether we will accept our share of that responsibility to educate ourselves and our fellows to stay the threatening process of disintegration. As a constructive suggestion and plan of procedure I have enumerated a few of the indispensable fundamentals of a sound, controlled fiscal policy which must be restored and made operative in all our government affairs if the republic is to survive. Without them the superstructure cannot stand. On that point we can have no differences or illusions.

We know approximately what this war program is going to cost in dollars and cents. The burden of the charge alone on this debt will be almost back-breaking.

Certainly government owes it to the people whom it asks to buy its bonds to do everything it can to avoid unnecessarily increasing the total cost of the defense program, and to keep the ultimate debt down to an amount which can be met without destroying the value of the dollar, and the value of the savings of the people. I have been somewhat shocked at radio announcements I have heard—announcements paid for out of tax money and made for the purpose of inducing the people to entrust their savings to government. I have heard over the radio these statements, among others, with reference to investment in these defense bonds and stamps:

"Your principal is safe. Your interest is safe. Your investment is safe. No chance for these bonds to sell for less than you paid for them. Cash them in at any time if need arises, but always for full value for prices printed on the face of the bonds.

"An opportunity to make an investment that the citizens of every other country might well envy—an investment in defense savings bonds backed by the full faith and credit of the United States Government.

"They can never 'go down' in price. You'll never get back less than you pay—but you do get more—much more than you put into them."

If government, as a partner of the people, is offering its securities on the representation that they never can do down in price, government in simple decency should make good its promise.

No administration can violate its promises and preserve the confidence the people reposed in it when they called it into the service. When any administration, no matter what its personnel or its politics, deceives the people, it betrays its sacred trust. No higher trust was ever imposed upon any government than the duty to keep faith with the people. This is a sacred obligation, imposed by all the divine laws that have ever been given. No man, no party, no government can break faith with those they govern and escape retributive justice. God is slow to forgive those who betray their brother. "Thou shalt not bear false witness against thy neighbor," came from Sinai, and what false witness could be greater against your neighbor than to take from him his substance under false pretense?

The government, upon all considerations, not the least of which is its own perpetuation, must see that it handles its finances so that when this tragedy is played to the end, the people can have returned to them the money which they trustfully put into its keeping; and the government must see to it, that the money shall be returned not merely in numerically-equivalent, managed dollars but in dollars that shall be of such substantial purchasing power. This would be but the most ordinary, the most common, and in a sense the lowest kind of mere money honesty. Are our leaders to do these things? They must—and without compromise. Compromise—the Trojan horse, with national bankruptcy riding in the saddle—once admitted within our walls will open the gates to the waiting agencies of destruction.

Since the sturdy Pilgrims set foot upon our soil, America has been the land of promise to men and women of every clime and nation, who sought the gift of self-expression. They were willing to exchange the devitalizing "security" of their home lands for the virile "opportunity" of America. Are we now ready to accept what they abandoned, and to abandon that which they have sought? Are we going to be tricked by the voice of the humanitarian whose hand is that of the despot? Will we consent to become the regimented subjects of experimenting theorists when at the same time those experiments are carried on with the people's savings? It is not too late to repair the harm that has been done. We must not believe it is too late. There is but one course for us to pursue. We must be active participants in the affairs of government—local, state and national. We must give to the cause of government our time, our efforts and our means. We must endeavor to tear off the mask of corruption wherever and whenever it appears. We must take vigorous part in organizations established to preserve the institutions and the liberties of the American people. We must see to it that only men of proved integrity, recognized experience and genuine capacity are chosen to administer the provisions of the Constitution of the United States, which is an immortal deed of trust.

We must declare anew our allegiance in thought and action to the principals enunciated in the Declaration of Independence; in the Constitution of the United States; in the memorable farewell address of Washington; in the undying words of Lincoln.

We must rise to the full height of true American manhood and womanhood and rededicate ourselves to the principles laid down by the immortal Washington expressed in his final admonition to all lovers of freedom. Listen to his words: "Towards the preservation of your government, and the permanancy of your present happy state, it is requisite that you resist with care the spirit of innovation upon its principles, however specious the pretexts. One method of assault may be to effect, in the form of the Constitution, alterations which will impair the energy of the system, and thus to undermine what cannot be directly overthrown. Liberty, itself, will find in such a government, with powers properly distributed and adjusted, its surest guardian. It is important, likewise, that the habits of thinking in a free country, should inspire caution in those entrusted with its administration, to confine themselves within their respective constitutional spheres, avoiding in the exercise of the powers of one department to encroach upon another. The spirit of encroachment tends to consolidate the powers of all the departments into one, and thus to create, whatever the form of government, a real despotism."

And now, you bankers, give ear to his final warning: "Let there be no change by usurpation . . . it is the customary weapon by which free governments are destroyed."

Who but a prophet could have foretold and described with such clarity and exactness the manner in which human nature operates—how men in public office easily become intoxicated with power, gained through spending the savings of all the people; and how, if they are not restrained and held in check by some established set of rules and regulations, proceed to exercise despotic power and to destroy the very foundations of personal liberty and the rights of a free people.

Our most dangerous foe is not to be sought longer under foreign flags, for the war will be won. America's No. 1 national menace now is *Demon Deficit*. Therefore, only statesmanship of the most heroic kind, backed by resolute courage and intelligence can save the *American dollar of destiny* from becoming a post-war casualty.

Is There A Shortage Of Children's Shoes?

America's Largest Maker of Children's Shoes Answers This Vital Wartime Question.

The Internation Shoe Co., of which Frank C. Rand is Chairman and Byron A. Gray is President, gives the reasons, elsewhere in the "Chronicle" today, why there is a shortage of children's shoes and what can be done to remedy the situation.

The International Shoe Co. of St. Louis, manufacturers of leading brands of children's shoes, state that since the nation's military demands and the needs of our allies have caused a decrease in the supply of leather available for civilian use, fewer leather shoes are being made for men and women, as well as for children.

The company also observes that while fewer pairs of children's shoes have been made since the war started, the demand has actually been greater and the shortage is felt more acutely because (1) children wear out their shoes more quickly than do adults; (2) the rubber shortage has severely limited the number of tennis shoes available to boys and girls, thus adding to the demand for leather shoes; (3) a sharp increase in the birth rate each year for the past three years has also put a heavier demand on leather required for additional babies' shoes.

According to the company, the Government has taken steps to increase the allocation and production of leather for children's shoes and the shoe manufacturers are in some instances diverting their production of shoes for adults to the production of shoes for children.

The International Shoe Co. is producing more shoes than it did a year ago and expects to increase output without disregarding the standards of quality which the company has maintained for more than 40 years.

New York Stock Exchange Weekly Firm Changes

Interest of the late E. Clarence Miller of Bioren & Co., Philadelphia, ceased on June 1.

Thomas R. Cox, member of the Exchange, retired from partnership in Brinton & Co., New York City, on May 31. The firm continues as member of the Exchange.

Interest of the late Van S. Merle-Smith in Dick & Merle-Smith, New York City, ceased as of May 31.

Roy E. Smith, partner in Moors & Cabot, Boston, died on May 26.

Attractive for Arbitrage

Old Chicago, Indianapolis & Louisville Railway Co. bonds are attractive for arbitrage or outright purchase and the new bond issues also appear interesting, according to a memorandum discussing the situation in some detail which has been prepared by Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange. Copies of this memorandum may be had upon request from Vilas & Hickey.

U. S. Supreme Court Decision Holds Insurance Inter-State Trade And Subject To Anti-Trust Act

A 4-to-3 opinion that insurance is business in interstate commerce and hence is subject to the Sherman Anti-Trust Act, was handed down on June 5 by the United States Supreme Court.

Justice Black wrote the Court's decision of June 5, which was concurred in by Justices Douglas, Murphy and Rutledge. Chief Justice Stone wrote a dissenting opinion in which Justice Frankfurter concurred. Justice Jackson also wrote an opinion in which he dissented in part. Justices Roberts and Reed took no part in the case. From the Associated Press accounts from Washington, June 5, we quote the following:

"The case specifically involved 196 stock fire insurance companies, and 27 individuals connected with the Southeastern Underwriters Association in Florida, Alabama, Virginia, North Carolina, South Carolina and Georgia.

"Anti-trust charges brought by the Department of Justice were dismissed by the Federal District Court at Atlanta on the ground that the Supreme Court had held for 75 years that the business of insurance was not commerce and, hence, the companies were not subject to the Sherman act, which prohibits combinations or conspiracies which restrain Interstate Commerce.

"Added interest was given the case by the fact that legislation is pending before Congress to exempt insurance companies from the Federal anti-trust legislation and to leave their regulation to the States.

"Thirty-five States filed briefs urging the Supreme Court to hold that insurance was not commerce and not subject to Federal regulation. To rule otherwise, it was contended, would destroy the 'sovereignty of the States.'"

Chief Justice Harlan F. Stone, writing the principal dissenting opinion, stated (according to a Washington dispatch June 5 to the New York "Times"), that the decision would unleash for years to come a flood of litigation and legislation that would harass the insurance business and every State while new boundaries were drawn between Federal and State powers.

The same advices said:

"In the absence of Attorney General Francis Biddle, officials of the Department of Justice would not discuss whether the Black opinion applied to life as well as other insurance companies, but some of those close to the case construed the ruling as embracing life insurance."

In part, we also quote from the "Times" advices:

A second decision of high importance to the insurance business, written by Justice Frankfurter with the concurrence of all other members of the court except Justice Roberts, held that the life insurance business of the Polish National Alliance of Illinois, one of the larger fraternal orders, was subject to the commerce laws under the Wagner Labor Relations Act.

Two questions formed the basis for the Southeastern Underwriters Association case, and each was answered affirmatively by the four-to-three margin. They were stated as follows:

"1. Was the Sherman Act intended to prohibit conduct of fire insurance companies which restrains or monopolizes interstate fire insurance trade?

"2. If so, do fire insurance transactions which stretch across State lines constitute 'commerce among the several States' so as to make them subject to regulation by Congress under the commerce clause?"

Justice Black wrote that Congress has power under the Constitution to govern transactions which "affect the peoples of more States than one."

"Our basic responsibility in interpreting the commerce clause," he said, "is to make certain that the power to govern intercourse among the States remains where the Constitution has placed it. That power, as held by this court from the beginning, is vested in the Congress, available to be exercised for the national welfare as Congress shall deem necessary.

"No commercial enterprise of any kind which conducts its activities across State lines has been held to be wholly beyond the regulatory power of Congress under the Commerce clause. We cannot make an exception of the business of insurance."

Justice Black brushed aside a host of arguments made before the Court to the effect that Congress in the last 50 years had tended to consider insurance companies as being in an exceptional position.

The fact that exempting legislation is pending in Congress, Justice Black added, had no bearing on the case. "If exceptions are to be written into the act, they must come from the Congress, not this Court."

On the other hand, Chief Justice Stone stated that Congress, always holding the power to regulate the insurance business, had specifically failed to assert that authority.

"It would be strange indeed," he wrote, "if Congress, in adopting the Sherman Act in 1890, more than 20 years after this Court had supposedly settled the question, had considered that the business of insurance was interstate commerce or had contemplated that the Sherman Act was to apply to it. Nothing in its legislative history suggests that it was intended to apply to the business of insurance."

Chief Justice Stone pictured great confusion as a result of this new interpretation of the Federal power.

The majority decision, he stated, "cannot fail to be the occasion for loosing a flood of litigation and of legislation, State and national, in order to establish new boundary between State and national power, raising questions which cannot be answered for years to come, during which a great business and the regulatory offices of every State must be harassed by all the doubts and difficulties inseparable from a realignment of the distribution of power in our Federal system."

Frankfurter's Opinion

Justice Frankfurter, long noted prior to his appointment to the Supreme Court as one of President Roosevelt's most "liberal" advisers, in supporting the Chief Justice, said:

"The evidence is overwhelming that the inapplicability of the Sherman Act, in its contemporaneous setting, to insurance transactions such as those charged by this indictment has been confirmed and not modified by Congressional attitude and action in the intervening 50 years."

In his dissent, in part, Justice Jackson raised the question whether it was the Federal desire to nationalize insurance companies. "If it be desirable" to do this, he said, it should be done in an orderly manner by legislation, not by court decision.

In the Polish National Alliance case, Justice Frankfurter agreed with the National Labor Relations Board that insurance services "have a close, intimate and substantial relation to trade, traffic and commerce among the several States and tend to lead to labor disputes burdening and obstructing commerce." Therefore "unfair labor practices" affect commerce within the meaning of the Wagner Act.

Investors Syndicate Message

Investors Syndicate, Roanoke Building, Minneapolis, Minn., have this message displayed on a stand next to a silk American flag:

• "Our America was founded on the idea that we, the people, run the Government, not the other way round."

N. Y. Dealers Outing Promises Gay Time For All Attending

The Outing Committee of the New York Security Dealers Association is reminding all members that time for making reservations for free member tickets, and guest tickets for the Annual Outing-Dinner of the Association is growing short.

The outing will be held at the North Hills Golf Club at Douglaston, Long Island on June 15 and reservations should be in the hands of Alfred E. Loyd, Executive Secretary of the Association, at 42 Broadway, New York City, as soon as possible.

The outing promises to be the most enjoyable affair of its kind ever heald by the Association, and among other recreational activities the following will take place:

Golf in charge of Stanley L. Roggenburg, will start at about 11 a. m. and two principal prizes are the beautiful silver "President's Cup," and a new one, the "Governor's Cup," and other "Kicker" prizes. Green fees $2.

Soft Ball in charge of Duke Hunter will start at about 6 p. m.

Horseshoe Pitching in charge of Irvin Hood will start about 5 p. m.

In addition to this and other activities, there will be **Barrel Golf** and **Dart Poker.**

There will be many attractive prizes given to contestant as well as Door Prizes. For the entertainment of those who do not play golf and who come out after the market closes, there will be among other things a soft ball game at 6 p. m. Dinner will be served at 8 p. m.

Members of the committee are: John J. O'Kane, Jr., John J. Okane Jr. & Co. Chairman; Irvin Hood, Cohu & Torrey; Wellington Hunter, Hunter & Co.; Hanns E. Kuehner, Joyce, Kuehner & Co.; Stanley L. Roggenburg, Roggenburg & Co.; John F. Sammon, J. F. Sammon & Co.; Melville S. Wien, M. S. Wien & Co.

Hartford Bond Club Elects New Officers

HARTFORD, CONN.—The Bond Club of Hartford announced that the following officers and governors have been elected for the coming year, beginning July 1st:

President: Van Vleck H. Vos Burgh, Union Securities Corporation.

Vice-President: John H. Beardsley, Conning & Company and Ballard.

Secretary: Willard A. Snow, Jr., Lee Higginson Corporation.

Treasurer: Edward F. Dustin, Day, Stoddard & Williams.

Governors: H. H. Whaples, Whaples, Viering & Co., for a three-year term; Oscar Depatie, Coburn & Middlebrook, and L. H. Wiley, Adams & Peck, for one year terms; Alex Pardee of Day, Stoddard & Williams in New Haven, was elected the non-resident member of the board.

In addition to the above governors, Ernest H. Cady, Jr. of R. C. Buell & Co. and Charles W. Gould of the First Boston Corporation are on the Board, having previously been elected for terms which have not expired.

Hoyt Peck Is Forming Own Investment Firm

Hoyt Peck is forming the Hoyt Peck Co. with offices at 120 Broadway, New York City, to engage in a securities business. Mr. Peck was formerly Assistant Manager of the municipal bond department for Tucker, Anthony & Co.

Good Post-War Outlook

Sylvania Industrial Corporation offers an interesting situation with an attractive post-war outlook, according to detailed study issued by Loewi & Co., 225 East Mason Street, Milwaukee, Wis. Copies of this study may be obtained from the firm upon request.

This advertisement appears as a matter of record only and is under no circumstances to be construed as an offering of these securities for sale, or as a solicitation of an offer to buy any of such securities. The offering is made only by the Prospectus.

113,333⅓ Shares

National Airlines, Incorporated

Common Stock

(par value, $1.00 per share)

Price $13.75 per Share

Copies of the Prospectus may be obtained in any State from such of the Dealers participating in the offering, including the undersigned, as may lawfully offer the securities in such State.

LEHMAN BROTHERS

June 7, 1944

This Scrambled World

(Continued from page 2372)

danger of inflation. Thus far we have succeeded remarkably well in holding down prices—but the need for price control will be even greater once the demobilization of industry starts. It will take a considerable period before the civilian market is once again adequately supplied. For some five years no new automobiles, refrigerators, and radios will have been produced. The change-over will take time. Even after our factories are back to their pre-war production schedule, they will not be able to supply the demand that will exist. The enormous purchasing power will be bidding up the prices of the inadequate supply of goods unless strict controls are continued. Here is another reason why government control cannot be relaxed for a considerable period after we return to peacetime conditions.

But there are other problems that will arise in the early years following the war. The enormous demand may induce some factories to enlarge their productive capacity and will stimulate others to enter the field. Many firms that never before manufactured radios or refrigerators are now laying plans to enter these fields. This may well mean that under the stimulus of a "catch up economy" productive capacity of many lines will increase far beyond the needs of a more stabilized economic life. Once the vacuum created by the war has been filled far less productive capacity will be needed than during the first hectic post-war years. If this over-expansion should indeed take place, then we may well face a period of industrial decline after the initial boom is over.

It is difficult to see how such a development can be prevented. Surely it cannot be prevented under what some like to call the free competitive system. The foreign demand will aggravate this situation. The influence of the foreign demand will be particularly disturbing because it will in all probability be for some time concentrated upon a comparatively small range of products. Russia will not use its purchasing power to obtain many consumer goods. The principal demand will be for factory equipment, roadbuilding machinery, railroad equipment, and hydroelectric installations. The 3 billion dollars of ready purchasing power owned by the Latin-American countries will in all probability be used largely to purchase more factory equipment. During the war we have assisted these countries in developing new industries. Brazil has recently put into operation a new $100,000,000 steel plant. The textile industry of that country is now so well developed that it can supply not only most of the domestic demand but can even export its products to other Latin-American countries and even to the United States.

On May 12, our newspapers reported that Mr. J. C. Maciel had started for the United States at the head of a delegation of Brazilian businessmen who expect to spend $100,000,000 to purchase machinery and tools. The greatest percentage of this money will be spent for textile machinery but they will also buy machinery for the manufacture of hardware and other steel products. Latin America has definitely started on the road of industrialization. There is every reason to expect that as far as lies in their power, they will continue on that road. There are many reasons for this.

The fundamental reason lies in the fact that thus far these countries have been almost wholly dependent upon the income from the exportation of a limited number of raw materials. Thus they have been until recently the tail to the kite of American and European industry. This has created in these countries an unstable economic life. Industrialization is giving them not only a more diversified economic life, but it is also making them less dependent upon the importation of manufactured goods and thereby is making them less dependent upon exports. They will want to continue now that they have made a good start with our financial and technical assistance. They are all the more interested in this development since the outlook for Latin-American exports is not encouraging.

As a part of our policy of economic warfare, we have developed many new sources of raw material and have aided in the expansion of already existing sources. All this was necessary because we needed the raw materials we could no longer obtain from the Far East. But unfortunately for Latin America, many of these new sources of supply are high cost producers. This in fact is the principal reason why they did not develop in peace time. It is almost certain that they will not be able to meet the competition of the older and more efficient sources from which we used to obtain our raw materials.

Take Bolivia as an example. We are now buying their poor, low-grade ore at 63c per pound. We transport it to this country, smelt it and distribute the tin through the Metal Reserve Corporation for 50c per pound. You may say poor business; and so it is. But all this is a part of our war effort. Once the war is over, we are not going to continue this. And how is Bolivia going to compete with the high grade ore we shall again be able to obtain from Malaya and the Dutch East Indies, where we will be able to buy it not for 63c but for 35c to 45c a pound? Many other newly developed resources in Latin America will find themselves in a similar position.

Being unable to sell, these countries will find themselves compelled to develop still further their own manufacturing establishments so that being unable to sell, they will no longer need to buy abroad. Much of the buying capacity of Latin America will therefore be concentrated not on consumers goods but on permanent industrial and transportation equipment. And the same thing will apply to the countries of the Continent of Europe.

In view of the tremendous destruction that will have taken place, the 10 billion dollars they will have to spend will be only a drop in the bucket. Their ability to secure loans in this country will be limited especially because they will need to be long-term loans for reconstruction purposes. With limited funds available and faced with the gigantic task of reconstruction, the governments in Europe will be compelled for some time to plan their purchases carefully. The most essential things must be bought first—and so far as funds allow. This means that the demand from Europe will come to us largely through government channels and will consist largely of a demand for capital goods, transportation equipment, machinery tools, and the materials required to rebuild the ports and public utilities.

Consumers goods will be needed but with the exception of the most essential items, they must take second place. First comes the need for rebuilding, and the need for the building of factories that can supply local needs and can produce goods for export. Not until exports can take place again in adequate amounts can the less essential civilian requirements be satisfied with imported goods. From Russia, from Latin America, and from Europe, the initial demand will therefore be for substantially the same type of goods. This foreign demand will overlap the domestic demand. Public works have been postponed during the war, municipal equipment and public utilities have been deteriorating. Moreover, many of our states and cities have elaborate plans to provide employment to those temporarily displaced and to the men of our demobilized armed forces. And the plans are all similar in that they contemplate road building, the construction of airfields, and the improvements of public utilities. This means that this domestic demand and the foreign demand will concentrate upon a comparatively small group of industries. It is not at all certain that these industries will be in a position to meet this demand. Nor would it be wise to expand our productive capacity to meet it since the demand will be largely temporary. Once the first rush is over, this demand is destined to shrink substantially. It would seem, therefore, that some kind of rationing on an international scale may well be necessary. And the need for some international rationing scheme results not only from our industrial problem.

The systematic looting of the occupied territories by the Nazis may well leave Germany in a relatively more favorable position, industrially, than its unfortunate neighbors. The German people have been better fed than those of the occupied territories. This means that unless the rebuilding program of Europe is carefully controlled and directed, and the relative needs of the occupied countries are given first consideration, Germany may recover before her victims are able to do so.

But a similar reasoning applies to the occupied territories. The countries that have suffered most and have the smallest amount of available foreign exchange will need to receive special concessions if they are not to see their more fortunate allies outstrip them in the reconstruction period. Considerations such as these coupled with the economic necessity of dovetailing the foreign demand to the domestic demand will make international rationing necessary, and most certainly a coordinating of the various domestic post-war construction plans.

Unless some scheme is developed to bring about a planned allotment of supplies and equipment, we shall face chaos in the world and at home we shall expand our production in the direction of products for which there will be a rapidly diminishing demand after the first period of rebuilding is passed. As if there were not enough problems facing us already, there comes the problem of the disposal of surpluses to plague us. This indeed is no small problem and unless it is properly handled, it may upset all our optimistic calculations. The problem of the disposal of surplus is extremely complex. There will be a large variety of products to be disposed of. Machinery for manufacturing purposes; shipping supplies and ships; aviation equipment; industrial raw material; and finally, consumers goods, clothing, medical supplies, and other supplies of the armed forces which can be turned to civilian uses.

Each group of items, in fact each individual item represents its own problem. The method to be adopted in disposing of the surplus of each item must be devised with due regard to the effect which its disposal will have upon the domestic and the foreign market. The problem is not of negligible proportions. It has been estimated that approximately 50 billion dollars worth of commodities will need to be disposed of.

How are these goods to be disposed of?

If they are sold through newly created channels, through auctions, and other emergency methods at low prices, the regular market for competing products will be very seriously affected. But can they be sold through the established channels of trade? If we consider that 50 billion dollars represents approximately the total value of all commodities sold by the retail trade of the United States in any normal year, then we can see that we face a problem of no mean dimensions. It is therefore of the utmost importance to business that the proper channels be chosen for the disposal of this surplus and that the disposal take place carefully, not too rapidly so as not to upset prices and markets, thereby hampering the readjustment of business to peacetime production. Not too slowly so that the surplus stock may not continue to hang over the market as a threatening cloud. Again, a job for some government agency or as Mr. Baruch has proposed, for a group of agencies.

It might be possible to use some of the surplus stocks as a means of controlling prices in the established market, releasing supplies as prices show a tendency to rise rapidly. But this is not without danger since it introduces an element of uncertainty which may well discourage investment in new factory equipment. Moreover, since these surplus stocks cover only a limited number of items, use of the surplus to control prices would affect some prices but leave others untouched. Some optimists hold that we can use these surplus stocks to sell abroad. There undoubtedly will be an opportunity to use substantial supplies in the relief and rehabilitation of the liberated countries. Some of these supplies we shall give away; others will be purchased by the liberated countries for distribution within their borders.

But not all surpluses can be so disposed of nor do all kinds of commodities fit into the relief program. Nor will a general policy of disposing of these commodities in the foreign market have the approval of the governments abroad. To be sure they would be interested in securing cheaply the goods their countries need. This would diminish the drain upon their foreign balances needed to pay for imports. But most of the governments abroad will look beyond the period of relief and will think in terms of the rapid and healthy recovery of their commerce and industry.

In order to build a sound economic life, these countries will need to rebuild their industries as rapidly as posssible, they will need to develop once more export industries so that through normal trade relations, they will be in a position to accumulate balances abroad to be used to pay for their imports. No monetary stabilization will be possible until such normal commercial and financial relations are once more established.

If our surplus stocks, improperly handled, are likely to upset our own domestic market, how much more disturbing would their disposal be in countries with far smaller purchasing power and smaller populations. It is therefore not likely that the countries abroad would welcome the influx of these surplus commodities which would threaten to retard the normal recovery of industry. They will reason: better a few more years of hardship and shortages if at the end we can attain a normal and sulf-sustaining economic life.

Moreover, it is doubtful whether the channels of trade will be open to these surplus stocks on any large scale. Much of the buying on the part of the countries of Europe will for some time to come be under strict government control, or in the hands of government agencies. Very little opportunity will exist to dispose of goods in the countries of the continent except with the approval and cooperation of the governments concerned.

In the Netherlands East Indies, the Emergency Export Office will be in charge of the selling abroad of all the exportable goods of the Indies. In other parts of the world, government buying and selling agencies will continue to operate for some time after the end of the war. The United Kingdom Commercial Corporation which was formed in 1940 to combat the activities of the German government agencies in the markets of the Near East will continue to operate after the war. So it was announced recently by the chairman of the Board of Trade.

All this does not look like a world in which we can decide how we shall do business abroad. Most of the decisions will be made by others. At one of your earlier national conferences, I spoke of the business world as scrambled. It should be clear now that I do not hold the opinion that it is a simple matter to unscramble the egg. Many voices are raised demanding that we return at the earliest possible moment to a free competitive system. I'm all in favor of it. But I for one cannot see how in the near future it will be possible for us to abandon our government controls.

The problems we shall face in the post-war period are too complex and too large to fall within the scope of any single business enterprise. Coordination, planning, and therefore control and direction will remain necessary. All that we can reasonably ask for is that businessmen both large and small be given a larger share in determining the policies of our Government.

However much we may dislike the thought, it will be some time before we can hope to see the free competitive system of which some of you dream.

Erdmann Heads Nat'l Savings & Loan League

Arthur G. Erdmann, President of Bell Savings and Loan Association, Chicago, was elected President of the National Savings and Loan League at its first national business meeting held May 30 and 31 at New Orleans. Mr. Erdmann was First Vice-President of the League and one of its founders. The League was organized last December to supply constructive leadership for the 6,400 thrift and home-financing institutions of the country, constituting a $6,600,000,000 business.

Mr. Erdmann was the first President of the Chicago Regional Bank of the Federal Home Loan Bank System and is now a director and a member of its Executive Committee. He is also a member of the Federal Savings and Loan Advisory Council of the Illinois Building and Loan Advisory Board and a past President of the Illinois Savings and Loan League.

In accepting the Presidency of the New National League, Mr. Erdmann said: "This league has been formed democratically and will be so operated. In its operation every one of the 6,400 thrift and home-financing institutions of America can have an effective voice. The recommendations of members will be the chief source of all action taken by our administration. Having as a league no political preferences, we can best achieve our aims by cooperating with the Federal and State Governments empowered to safeguard the thrift and home interests of the people. We shall seek the help of all progressive legislators of whatever political faith. The time has come for the nation and its representatives to realize that the savings and loan industry is a most democratice institution because it represents substantial and progressive people in every city, town and country—more than 6,000,000 Americans united in thrift and home ownership."

Elected to the executive positions of the new league were also George M. Eason, Los Angeles, and W. E. Wood, New Orleans, Vice-Presidents, and John S. M. Glidden, Natick, Mass., Secretary.

U. S.-British Post-War Relations

(Continued from page 2363)

lot of coffee, because everyone up there wants two cups a day, but only a few New Yorkers like maple sugar. You can see that Vermont would go short of coffee under bilateralism if it could get only a value in terms of coffee equal to the value of maple sugar which New York would accept. At the same time New York would not be selling anywhere near the value of coffee in Vermont that could be consumed in that area.

"Under the multilateral system we would pull down those trade barriers between the states, no state would feel it necessary to balance its accounts with each of the others, and interstate trade would fall into a pattern governed by the volume of production within each state. Under that system Vermont would buy all the coffee it wanted from New York, and it would pay for it by shipments of maple sugar, not only to New York but all over the country, increasing output if necessary, and tapping a country-wide demand for that rather specialized product. Everybody would gain—Vermont as a consumer of coffee, New York in a wider market for its coffee, the whole country as a consumer of maple sugar.

"As between Britain and the United States, the American attitude is to seek international agreement on two main objectives—absolute undiscriminatory treatment as between nations, and general action to lower or remove trade barriers by tariff reduction by elimination of import and export quotas, by getting away from Government bulk purchasing. The advantages of tariff reduction are obvious, to the British as well as to ourselves, and there is little doubt that much could be done in this direction although naturally it could not be one-sided and advantage would have to be matched against disadvantage in revising the tariff structure. There is almost complete agreement on the desirability of general non-discriminatory treatment between nations. On two points, however, the British and American positions are not identical, due to force of circumstances. Britain, for example, feels that she could not cut herself off altogether from the possibility of imposing import quotas, at least for a time, to protect her rather shaky balance of payments by cutting down imports of luxuries or articles not necessary for her people. They may hope that we could concede a point here, especially as it wouldn't cost us much—some 91% of British imports represent foods, raw materials and semi-manufactures the country cannot do without, only 9% are manufactured goods, and most of them are necessities. Britain would also like to do some bulk purchasing, of the type developed so extensively during the war, because of the efficiencies and economies to be attained. If we would permit this, Britain might undertake not to use such purchasing as a device for stimulating her exports to our disadvantage.

"All of this is rather tentative and speculative, however, and we don't know what the final answer will be. The important thing is that the "Economist" one of the soundest and most influential journals, in appraising the chances for Anglo-American economic collaboration in this particular field, estimates that already we are in agreement on most of the important points and that the era of agreement can be appraised as about 75%. That is a fairly good figure, and certainly far better than the 50-50 or "split the difference" type of compromise.

"Enough of the higher economics. I have one more point to make, and I regard it as the most important of all. Some weeks ago, I understand, Mr. Hoffman of the Economic Development Committee spoke to you and suggested that the greatest obstacle to full development of American business activity is fear. I don't know in what context he developed that theme, but it is certainly true that fear is one of the most serious obstacles to full realization of the benefits to the world of full-scale multilateral international trade. You remember the story of Oliver Wendell Holmes, who flew in a rage because he couldn't find a certain book. His wife finaly discovered it and left it with a note: 'I am an old man. I am very easily disturbed by a great many things, most of which never happened.'

"Among American business men, judging by what they tell me and by what I read in the American trade press, there is a wide-spread fear lest the British, by the exercise of a type of wiliness commonly attributed to them in the United States, will by hook or crook wrest some kind of commercial advantage out of our country. They will certainly try to improve their economic position, which will be in great need of restorative measures after the war, but that is an aim with which we should have a great deal of sympathy, as it will work definitely and directly to our advantage if Britain, one of our most important foreign markets, has a strong and healthy economy. Suppose that we should, to assist Britain to gather her strength, place no additional tariff obstacles in the way of developing her sales in this market, or even lower our tariffs somewhat, if she will lower hers. What would be the result?

"The Department of Commerce in Washington gave me some figures which show that in 1938 about 6% of American imports by value came from Great Britain—some $118,000,000 worth. On the other hand our exports to Great Britain to a value of over $447,000,000 were four times our imports and represented 13% of British imports. I won't fall into the trap of suggesting that we should balance these figures, because that would be to advocate bilateralism, but I do suggest that we are at no disadvantage in Anglo-American trade. In terms of national income it is even more striking. British exports to this country represented only two-tenths of 1% of our national income; our exports to Britain represented about 2½% of the British national income. Would it hurt us seriously, would it injure our economic interests, if British exports to the United States doubled in value? I would find it hard to believe.

"The Britishers with whom I have talked are frankly afraid of the United States, of our terrific economic power, and worried about what will happen in the post-war world. They are afraid that we will resist strongly any sign of a British intention to sell more in the United States, and they are trying hard to work out certain lines of export trade which promise to find markets here without competing directly with our important industries. They feel, for example, that they must concentrate on products which can compete on the world market only if a large element of labor cost is added in Britain to imported raw materials. This would mean in practice a tendency for British trade to concentrate on highly finished, rather expensive goods—fine cottons, for example, or fine woolen fabrics, fine leather goods, and so on—which appeal to our luxury markets rather than to the mass market to which our industry is geared. All they ask, really, is that we do not make it too difficult for them.

"The British are also afraid, and in fact the whole world is afraid, that the American domestic economy will develop relative instability after the war. Economic planning abroad is based on a fundamental objective of full employment in each country, to be attained in different ways in each country—in Great Britain by a housing program and by some expansion in exports. This objective of full employment, the economists agree, is also really necessary if we are going to be successful in developing multilateral international trade to best advantage. Full employment builds international commerce and international trade contributes to full employment. As yet these seems to be no great emphasis on this objective in the United States, and relatively little planning to this end has been made public. But if we can only set our American house in order, develop a high degree of prosperity in the United States and maintain the American standard of living with a high level of civilian consumption, we will not only serve our own ends but those of the world. We will find the whole world applauding such an ambition on our part, we will find no unnecessary obstacles placed in the way of its realization, and we will be assuming leadership in economic rehabilitation in the most effective and practical manner.

"But we must banish fear and suspicion."

Houston President Of Foundation

(Continued from first page)

Breckinridge Long, Assistant Secretary of State, as Vice-Presidents. William S. Hildreth, President of the Peoples National Bank of Charlottesville, Va., was elected Secretary and Treasurer. Winston Taliaferro was elected Assistant Treasurer and Paul F. Tate, Assistant Secretary.

The Hon. Edward R. Stettinius, Jr., Under Secretary of State, was elected a member of the Board of Directors. The Hon. Josephus Daniels of North Carolina was nominated to be a member of the Thomas Jefferson Memorial Commission at Washington who, together with Dr. George J. Ryan of New York City and Dr. Fiske Kimball of Philadelphia, will represent the Foundation on that Commission.

Marie Kimball, author of the recent biography, "Jefferson—the Road to Glory," was appointed Curator of the Foundation.

The Foundation owns and operates "Monticello," the shrine and home of Jefferson at Charlottesville, Va.

Interesting Situation

H. R. Baker & Co., Russ Bldg., San Francisco, Calif., have available an interesting report on Hearst Consolidated "A." Copies of this report may be had from the firm upon request.

Taylor Again Heads Baltimore Stock Exch.

BALTIMORE, MD.—At the annual election of the Baltimore Stock Exchange on June 5, Howard R. Taylor was unanimously reelected to the office of President to serve for a period of one year. The Governing Committee was reduced from 10 members to 6 members and therefore no vacancies occurred this this year. The new Board will meet on June 12, for organization and appointment of other officers.

Profit Possibilities

Raymond & Co., 148 State St., Boston, Mass., have prepared an interesting discussion of the profit possibilities in Frisco issues, and how current holders will fare by the new capital set-up; post-war estimates and figures are also presented in the study, copies of which will be sent by the firm upon request.

Utility Attractive

According to a detailed circular on the situation prepared by Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange and other leading national Exchanges, New England Public Service Co. offers attractive possibilities. Copies of this interesting circular may be had from Ira Haupt & Co. upon request.

$3,720,000

Central Railroad Company of Pennsylvania
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To be due annually $248,000 June 15, 1945 to June 15, 1959, inclusive

To be guaranteed jointly and severally unconditionally as to principal and dividends by endorsement by Central Railroad Company of Pennsylvania and by the Trustees of the property of The Central Railroad Company of New Jersey, Debtor.

These Certificates will be issued under an Agreement to be dated June 15, 1944 which will provide for the issuance of $3,720,000 principal amount of certificates to be secured by new standard gauge rolling stock estimated to cost approximately $4,971,157. The Agreement will provide that the Railroad Trustees will guarantee the due and punctual performance by the Central Railroad Company of Pennsylvania of all the obligations of the latter under the Agreement and Lease.

MATURITIES AND YIELDS

1945	0.95%	1950	1.90%	1955	2.30%
1946	1.20	1951	2.00	1956	2.35
1947	1.40	1952	2.10	1957	2.40
1948	1.60	1953	2.20	1958	2.45
1949	1.75	1954	2.25	1959	2.50

Issuance and sale of these Certificates is subject to approval by the Interstate Commerce Commission. The Offering Circular may be obtained in any State in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such State.

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To be dated June 15, 1944. Principal and semi-annual dividends (June 15 and December 15) payable in Philadelphia or New York City. Definitive Certificates in coupon form in the denomination of $1,000, registerable as to principal and also in multiples of $1,000, registerable as to principal and dividends. Bearer and registered Certificates interchangeable. Not redeemable prior to maturity. These Certificates are offered for delivery when, as and if received by us. It is expected that Certificates in temporary or definitive form will be ready for delivery in New York, N. Y. on or about June 20, 1944. The information contained herein has been carefully compiled from sources considered reliable, and while not guaranteed as to completeness or accuracy, we believe it to be correct as of this date.

June 8, 1944.

Gov. Bricker Calls For Post-War Balanced Budget

(Continued from page 2363)

dustry and agriculture, in spite of burdensome restrictions, have worked a miracle of war production. The American people are actuated by a singleminded determination to win this war. There is every evidence that we are now ready to strike decisive blows both in Europe and in the Pacific.

We cannot safely predict the length of the war. But I think it is the part of wisdom, in developing our post-war plans, to assume that the Axis Powers may see at any time that they have nothing to gain by further resistance.

We may suddenly be confronted by problems of converting our economy to peacetime production and providing jobs for our returning soldiers. There is much to do. Nothing would be more encouraging to the American people than some substantial progress in the solution of our fiscal and taxation problems. These problems have confused enterprise and dampened the spirit of our people for more than a decade.

For six years I have attended these conferences. At every meeting we have been considering the encroachment of the National Government on State and local authority. We have had to fight our own Government to keep our own rights. At this time of crisis there should be complete unity of purpose in all segments of our governmental authority. On the Federal Plan we have builded and produced mightily. We are serving America's best interests when we battle to maintain it. This issue of centralized bureaucratic power as against a larger degree of local autonomy cuts across our fiscal and tax policies.

In considering our fiscal policies I am guided by two basic objectives. The first is the preservation of our Federal system of government. The truth is that the States are threatened by an ever-growing centralization of power in Washington. The threat is so serious that today we face the question whether the States will remain active, cooperative and equally sovereign members of our governmental system, or whether they will be reduced to provincial administrative units with little or no self-government.

Indeed, the issue reaches to the very heart of the American form of government. Shall government be kept close to the hands of the American people and ever responsive to their guiding will, or shall it be completely usurped by an already highly centralized national authority which is ever growing more powerful? Shall the people preserve home rule or shall they sit passively by while it is being strangled to death? This is the issue to which the people must be constantly alert. To settle it, there must be a sweeping change in many current philosophies of government.

My second objective is that we must devise a system of taxation and adopt a scale of rates that will revitalize our entire economic machinery. To that end we must provide the necessary incentives for investment in industry and for production by management and labor. Before the war our economic machinery was virtually on dead center because of unbalanced budgets, severe taxation and the overwhelming threats of higher taxation and restrictive legislation.

If Government is to encourage, rather than hinder, full production and high employment, it must devise a system of taxation for the long run, not for the short pull. It must understand that frequent changes in fiscal policy throw our economic machinery out of gear and cause confidence to give way to misgiving and uncertainty. Government also must understand that if risks are to be taken, there must be a fair balance between opportunity for reward and hazard of loss.

In order to grasp fully the immediate and far-reaching significance of State and local fiscal policies it is necessary to bear in mind certain trends which have been changing our public fiscal policies.

From the founding of our nation until the early 20th century ours was essentially an agrarian economy. Individuals felt far removed from the Federal Government — even from State government. Their governmental relations were primarily with the township or town and the county. The Federal Government was concerned mainly with foreign relations, especially foreign commerce. At home it had the job of maintaining a small army and navy and improving internal waterways. Its financial requirements were easily met by indirect taxes, largely customs, and a few internal revenue duties of a sumptuary nature.

With the closing of the geographical frontier and the rapid growth of cities, the Machine Age was upon us. Soon a wider view was taken of interstate commerce. More businesses were held by the courts to be carrying on interstate commerce and hence came within the purview of Congress.

Thus began the more minute Federal regulation of business which involved the organization of new Federal agencies and the expansion of old ones. This led to the search for new sources of revenue. The income tax amendment was ratified in 1913 and immediately a new Federal tax was imposed. World War I brought death taxes to the Federal system. The depression of the '30s saw the introduction of many more new taxes, such as those on payrolls, and the extension of old ones.

These developments had an adverse effect upon State and local governments. Confronted with their own increased financial responsibilities resulting from the depression, they found their tax resources being cut into very severely by the revenue demands of the Federal Government. Nevertheless they have continued, without forethought, to go along with a trend which, if continued, will lead to the loss of their financial independence. Our Federal system is founded upon the necessity of maintaining strong, independent State and local governments. They cannot be destroyed without also destroying freedom. As Dean Pound said:

"All experience shows that a domain in continental extent has always been ruled as an autocracy or as a Federal Government."

Or as Woodrow Wilson was moved to say:

"The history of liberty is the history of the limitation of governmental power, not the increase of it. When we resist . . . concentration of power we are resisting the processes of death, because concentration of power is what always precedes the destruction of human liberties."

It is true that now the States and local governments generally are in a relatively good financial position. Many States have accumulated surpluses. This present condition has resulted from more efficient and economical operation of State and local governments. It also resulted from the rise in the national income which started in 1939 and which was accelerated by the war in Europe, the defense program and, finally, our war production. Notwithstanding this condition, however, we should not be oblivious of the underlying currents which are inevitably washing away the very foundation of our State and local governments — their traditional financial independence. The time has come for the adoption of fiscal policies which will preserve that financial independence.

Attention should first be directed to the mainstay of local governments—the property tax. This has been severely reduced by the purchase of more and more land by the Federal Government, thus withdrawing it from the State and local tax rolls. As of June 30, 1937, it was estimated that total Federal real estate holdings (including the public domain) were 395,000,000 acres. This was more than 20% of the total area of the country. If taxed at local rates, this Federally-owned property would have yielded some $91,000,000. That amount exceeds all collections from property taxes in 1939 in 34 of our 48 States.

Since Pearl Harbor there has been, of course, further substantial acquisition of land by the Federal Government and its instrumentalities. The Defense Plant Corporation, for example, by December, 1943, had acquired more than 10,000,000 acres and 20,000 city lots.

To make up the loss in revenue, instead of permitting the States and local governments even a limited exercise of their own taxing power, the Federal Government devised the scheme of "payments in lieu of taxes." Adherence to this policy will help to destroy the financial independence of local governments.

Appropriate authorization for the local taxation of Federally-owned property, with proper restrictions, would help to maintain their financial independence. Even more important, all this property acquired for the conduct of the war, not needed for our permanent post-war military needs, should be returned to private ownership as soon as practicable after victory, thus restoring it to the local tax rolls.

The next threat to State and local governments to which we should direct our attention is the recent expansion of what might be termed the subsidy theory. This means that more and more functions of government heretofore locally administered and financed are becoming centralized. Changes in economic and social conditions obviously require, from time to time, a reallocation of governmental functions. But this should be done only when such a change results in greater benefit to the public at large with no loss in democratic control of the revenue raising and spending activities of the Government assuming such function.

In 1932 Federal subsidies to the States amounted to $217,000,000. By 1937 the figure had more than doubled. In 1941 it was more than triple, reaching $744,000,000. But this is not all. In 1941, in addition to the $744,000,000 granted to the States, over $95,000,000 went to local governments. Of all taxes collected in the United States in 1932, the Federal Government's portion was 22%, leaving State and local governments 78%. In 1939, before World War II started, the share of State and local governments had dropped to 62% of all taxes, the Federal Government's share having jumped to 38%.

Make no mistake about it, the most effective way to abolish the independence of State and local governments, and with it home rule in America, is by taking away their financial independence.

Coincident with the centralization of more and more of the taxing power in the Federal Government and the increase of Federal subsidies to State and local governments, a similar trend has been going on within the States. There has been a steady expansion of the State taxing power with increased subsidies from the States to local governments.

It is perfectly natural that extension of the subsidy program should have some support from State and local office holders. It is always more agreeable to a local official to have money to spend for the benefit of his constituents which he gets from the State Capital or from Washington than it is to have to raise it by taxing his constituents who elect him. The same may be said of State officials with respect to Federal grants. But we must realize the implications and results of this trend. State and local governments become a sham and a pretense if they cannot support themselves and must go to another government for handouts.

An excellent illustration of extending the subsidy theory into more and more fields has been the recent proposal of the Federal Government to subsidize the public schools of the nation. By dangling Federal money before the eyes of the public schools a very attractive lure is presented. But the difficulty is aside from the loss of financial independence, that there results a proportionate surrender of the States' control over their educational systems. When an effort is made to change the government of a country, one of the first steps is to take over the education and training of the youth of that country. This is what Hitler did in Germany. I am opposed to the dictation of our educational policies from Washington.

The question then is: What is to be done in the face of these trends? I offer three recommendations.

First, it is essential that the strictest economy in government be practiced. This applies particularly to the Federal Government. Unless Federal expenditures are limited to absolutely essential items, it is inevitable that the Federal Government must ultimately pre-empt the entire field of taxation, leaving nothing for State and local governments. I have repeatedly pointed out that we may expect no substantial curtailment of Federal expenditures until we abolish our present bureaucracy and return to a responsible cabinet government. There is a limit to the tax burden which our economy can bear.

Second, the States working together, the local governments working together and the two groups working with the Congress, should take immediate steps toward appropriate segregation of tax bases, preserving appropriate fields of revenue for the national, State and local governments. One of the most serious problems confronting not only national, State and local governments, but especially the taxpayers, lies in overlapping tax bases. Our tax structure now is only a planless patchwork held together by nothing more substantial than political expediency.

Third, whenever State governments reach the point where their revenues may reasonably be anticipated to exceed necessary demands for any material period of time instead of increasing local government subsidies, they should repeal such taxes as will best open fields of revenue for local governments. During recent years the present administration in Ohio, after paying off its inherited deficits, has been confronted with the constant demand from local governments that the State's surplus be distributed to them.

This announcement is not to be construed as an offer to sell or as an offer to buy the securities herein mentioned.
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F. EBERSTADT & CO.

June 6, 1944

It was my position last year that had we not been confronted with the uncertainties of war and the necessity of providing for a much needed post-war building program, we should have launched upon a State tax repeal program, rather than one of increasing subsidies to local governments.

Of equal importance to the establishment of fiscal policies to maintain financial independence of State and local governments is the shaping of those policies so as to aid and encourage rather than stifle and suppress American private enterprise. Sound governmental fiscal policies, national, State and local, are the foundation stones of a stable economy and American prosperity.

There is need for further cooperation between the States in extension of reciprocity provisions in tax statutes. In view of recent decisions of the Supreme Court, two or more States may now tax the same income, the same inheritance or the same property. The necessity for appropriate reciprocal legislation has become more pressing in order to avoid this form of double taxation. While in a sense multiple taxation has existed for many years, it is my position that there is no justification for the imposition of such inequitable double taxation as I have mentioned. Appropriate reciprocal legislation will also relieve not only business, but individual citizens from double taxation arising from questions of domicile.

I am convinced that constructive work along these and other similar lines will aid rather than hamper business, to which we must look for high employment. But if this program is to be effective, the Federal Government also must do its part. This means that recent fiscal and tax policies of the Federal Government must be completely overhauled.

The Federal Government should balance its budget at the earliest possible date. That would give more jobs than all the made-work the Government could possibly plan. Simplification and stability of tax laws are desperately needed. We are given little encouragement along this line now. Adherence to the principle that the taxing power exists primarily for the purpose of raising necessary revenue and should not be used as an undercover method of effecting social changes is also necessary.

Moreover, there is a vital need for a sane and constructive Federal tax policy that will stimulate incentive and encourage venture capital. Federal taxes should be reduced as soon as possible after victory. Such action would enable business to map out constructive programs, without constant fear of changes, and to provide jobs for all who wish to work.

The recent Baruch-Hancock report went even further. It said: "Until it is definitely known that post-war taxes are to be reduced, the launching of new enterprises and the expansion of existing ones will be deterred." Accordingly, it recommended "that a post-war tax law be drafted now, during the war, and put on the shelf to go into effect at the end of the war."

This proposal points the way toward the kind of Federal tax policy that will be needed for reconstruction and rehabilitation after the war. In my judgment, the pre-war Federal policy of spend, waste, borrow and tax will wreck American economy if continued in the post-war period. A nation which builds its financial house upon shifting sands of deficit financing in peace times cannot survive as a nation.

Nor can such a nation be a powerful influence in world affairs. The United States must help solve such problems as currencies, credits, air rights, markets and international trade. So long as the world is inflicted with discriminatory trade agreements, quotas, cartels, exchange wars, barter systems and the like, there can be little assurance of an enduring peace. Collaboration between nations in solving world economic and monetary problems is just as necessary as collaboration in solving world diplomatic and political problems.

But for all these purposes America must be strong. To be strong, to be influential, to be helpful in the world, we must, above everything else, build our own house upon the solid rock of financial solvency, equity and justice. Our power to help others will be dependent upon the degree in which we strengthen private enterprise and preserve individual opportunity.

Let us then remember, as the guiding principle of domestic policy, that our State and local governments, as well as the National Government, are essential to our Federal system. The strength of America stems from the practice of representative government in the towns, the cities, the counties and the States of this nation. When State and local governments become paralyzed, the door is open to every form of absolutism and every form of demagogy. When local responsibility is destroyed, citizenship atrophies and dies. But when State and local governments flourish, when men and women practice representative home rule, the foundations of the Republic are secure. The more the history of the Republic is written at the crossroads and the less at the Capital, the freer we shall be.

President's Invasion Prayer Marking Opening Of Allied Assaults On Hitler's European Fortress

A prayer, written by President Roosevelt incident to the start of the invasion of Europe with the landing of Allied troops on the coast of France in the early hours of June 6, was read in Congress, on June 6, on the floor of the House, where it had been dispatched that day by the President by motorcycle. It was read by Dr. James Shera Montgomery, House chaplain, who departed from custom to ask members to join him in the opening invocation.

In Associated Press accounts, June 6, it was stated that, aware of the invasion date, Mr. Roosevelt began work on his prayer several days ago, but did not complete it until June 5, according to Presidential Secretary Stephen T. Early, correcting an earlier impression that the Chief Executive did not start it until the attack was at hand. The accounts added:

"Describing the President's activities to reporters, Mr. Early said Mr. Roosevelt went to his bedroom early last evening shortly after he delivered his radio address on the fall of Rome.

"He said the President received steady invasion reports—complete and in detail—from 11:30 p. m. on into the actual hour of the assault."

In his prayer the President had asked that the people of the nation join in it with him, and although not read by him over a nation-wide broadcast until 10 p. m., June 6, its text had been issued at mid-day to permit Americans to follow him in his recital of the prayer. In asking blessings for our troops, the President said:

"These are men lately drawn from the ways of peace. They fight not for the lust of conquest. They fight to end conquest. They fight to liberate. They fight to let justice arise, and tolerance and goodwill among all Thy people. They yearn but for the end of battle, for their return to the haven of home."

Stating that he had been urged that he "call the nation into a single day of special prayer," he said that "because the road is long and the desire is great, I ask that our people devote themselves in continuance of prayer."

The President's invasion prayer which he read to the nation with his introductory words on the radio, as recorded and transcribed by the New York "Times," follows:

"My Fellow-Americans:

"Last night when I spoke with you about the fall of Rome I knew at that moment that troops of the United States and our Allies were crossing the Channel in another and greater operation. It has come to pass to success thus far.

"And so in this poignant hour I ask you to join with me in prayer:

"Almighty God: Our sons, pride of our nation, this day have set upon a mighty endeavor, a struggle to preserve our Republic, our religion and our civilization, and to set free a suffering humanity.

"Lead them straight and true; give strength to their arms, stoutness to their hearts, steadfastness in their faith.

"They will need Thy blessings. Their road will be long and hard. For the enemy is strong. He may hurl back our forces. Success may not come with rushing speed, but we shall return again and again; and we know that by Thy grace, and by the righteousness of our cause, our sons will triumph.

"They will be sore tried, by night and by day, without rest—until the victory is won. The darkness will be rent by noise and flame. Men's souls will be shaken with the violences of war.

"For these men are lately drawn from the ways of peace. They fight not for the lust of conquest. They fight to end conquest. They fight to liberate. They fight to let justice arise, and tolerance and goodwill among all Thy people. They yearn but for the end of battle, for their return to the haven of home.

"Some will never return. Embrace these, Father, and receive them, Thy heroic servants, into Thy kingdom.

"And for us at home—fathers, mothers, children, wives, sisters and brothers of brave men overseas, whose thoughts and prayers are ever with them—help us, Almighty God, to rededicate ourselves in renewed faith in Thee in this hour of great sacrifice.

"Many people have urged that I call the nation into a single day of special prayer. But because the road is long and the desire is great, I ask that our people devote themselves in a continuance of prayer. As we rise to each new day, and again when each day is spent, let words of prayer be on our lips, invoking Thy help to our efforts.

"Give us strength, too—strength in our daily tasks, to redouble the contributions we make in the physical and the material support of our armed forces.

"And let our hearts be stout, to wait out the long travail, to bear sorrows that may come, to impart our courage unto our sons wheresoever they may be.

"And, O Lord, give us faith. Give us faith in Thee; faith in our sons; faith in each other; faith in our united crusade. Let not the keenness of our spirit ever be dulled. Let not the impacts of temporary events, of temporal matters of but fleeting moment—let not these deter us in our unconquerable purpose.

"With Thy blessing, we shall prevail over the unholy forces of our enemy. Help us to conquer the apostles of greed and racial arrogances. Lead us to the saving of our country, and with our sister nations into a world unity that will spell a sure peace—a peace invulnerable to the schemings of unworthy men. And a peace that will let all men live in freedom, reaping the just rewards of their honest toil.

"Thy will be done, Almighty God.

"Amen."

Available On Request

Schenley Distillers Corporation have prepared an attractive booklet containing the first articles in the series they have been running in the "Financial Chronicle." Copies of this booklet may be had upon request by writing to Mark Merit, in care of Schenley Distillers Corporation, 35(Fifth Avenue, New York 1, N. Y

Rails Offer Interest

Gary Railways common and Memphis Street Railway preferred offer interesting possibilities, according to memoranda issued by Bittner & Co., 80 Broad Street, New York City. Copies of these memoranda, into which are incorporated news of recent developments in the situations and earnings, may be had from Bittner & Co. on request.

Calif. Utility Revenues At All Time High

Total revenue for 12 major California public utility companies reached an all-time high in 1943, according to a study just completed by Dean Witter & Co., 45 Montgomery St., San Francisco, Calif., members of the New York and San Francisco Stock Exchanges. Despite being tax-damaged and subject to far-reaching governmental controls and criticism, the industry, the study shows, has continued to increase its volume of business and retains a high degree of investor regard for its securities.

Copies of this interesting and attractive booklet, discussing the situation and outlook in detail, may be had from Dean Witter & Co. upon request.

Mallory Interesting

P. R. Mallory & Co., Inc., offers an interesting situation, according to an analysis prepared by Steiner, Rouse & Co., 25 Broad St., New York City, members of the New York Stock Exchange. Copies of this analysis may be had from Steiner, Rouse & Co. upon request.

Attractive Situation

H. H. Robertson Company, which is tax-free in Pennsylvania, offers interesting possibilities, according to a memorandum being distributed by Buckley Brothers, 1529 Walnut Street, Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of this memorandum may be had upon request from Buckley Brothers.

N. Y. Trust Co. Interesting

Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange, have prepared an interesting bulletin discussing the current situation in New York Trust Co. Copies of this bulletin may be had from Laird, Bissell & Meeds upon request.

Bright Possibilities

Giant Portland Cement is a low-priced stock in an industry with a bright future and offers interesting possibilities, according to a circular prepared by Lerner & Co., 10 Post Office Square, Boston, Mass. Copies of this circular may be had from Lerner & Co. upon request.

All of these shares having been sold, this advertisement appears as a matter of record only, and is neither an offer to sell nor a solicitation of an offer to buy any of these securities.

NEW ISSUE

June 5, 1944

100,433 Shares

Beatrice Creamery Company

Common Stock

($25 par value)

Subscription Warrants for these shares were issued to the holders of the Common Stock of the Company and upon the exercise of such Subscription Warrants 92,435 shares were sold. The remaining shares have been sold by the Underwriters.

Copies of the Prospectus may be obtained in any state in which this announcement is circulated from only such of the several Underwriters as are registered dealers in such state.

Glore, Forgan & Co.

DIVIDEND NOTICES

AMERICAN LOCOMOTIVE COMPANY

30 Church Street Alco New York 8, N.Y.

PREFERRED DIVIDEND NO. 144
COMMON DIVIDEND NO. 73

Dividends of one dollar seventy five cents ($1.75) per share on the Preferred Stock and of twenty five cents (25¢) per share on the Common Stock of this Company have been declared payable July 1, 1944, to holders of record at the close of business on June 16, 1944.

Transfer books will not be closed. Dividend checks will be mailed by the Bankers Trust Company on June 30, 1944.

May 25, 1944 CARL A. SUNDBERG, *Secretary*

CANCO AMERICAN CAN COMPANY

PREFERRED STOCK

On May 31, 1944, a quarterly dividend of one and three-quarters per cent was declared on the Preferred Stock of this Company, payable July 1, 1944, to Stockholders of record at the close of business June 15, 1944. Transfer Books will remain open. Checks will be mailed.

R. A. BURGER, *Secretary.*

COLUMBIA GAS & ELECTRIC CORPORATION

The Board of Directors has declared this day the following dividends:

Cumulative 6% Preferred Stock, Series A
No. 71, quarterly, $1.50 per share

Cumulative Preferred Stock, 5% Series
No. 61, quarterly, $1.25 per share

5% Cumulative Preference Stock
No. 50, quarterly, $1.25 per share

payable on August 15, 1944, to holders of record at close of business July 20, 1944.

DALE PARKER
June 1, 1944 *Secretary*

"Call for
PHILIP MORRIS"

New York, N. Y.
June 2, 1944.

Philip Morris & Co. Ltd. Inc.

A regular quarterly dividend of $1.06¼ per share on the Cumulative Preferred Stock, 4¼% Series, and a regular quarterly dividend of $1.12½ per share on the Cumulative Preferred Stock, 4½% Series, have been declared payable August 1, 1944 to holders of Preferred Stock of the respective series of record at the close of business on July 14, 1944.

There also has been declared a regular quarterly dividend of 75¢ per share on the Common Stock, payable July 15, 1944 to holders of Common Stock of record at the close of business on June 23, 1944.

L. G. HANSON, Treasurer.

International MINERALS & CHEMICAL CORPORATION

General Offices
20 North Wacker Drive · Chicago

★

On May 25, 1944, the Board of Directors declared a dividend of one dollar ($1.00) per share on the 4% Cumulative Preferred Stock, and fifty cents (50c) per share on the $5.00 Par Value Common Stock, payable June 30, 1944 to stockholders of record at the close of business June 16, 1944. Checks will be mailed.

ROBERT P. RESCH, Vice President and Treasurer

★

MINING AND MANUFACTURING
PHOSPHATE • POTASH • FERTILIZER • CHEMICALS

THE GARLOCK PACKING COMPANY

June 6, 1944
COMMON DIVIDEND No. 272

At a special meeting of the Board of Directors, held in Palmyra, N. Y., this day, a dividend of 50¢ per share was declared on the common stock of the Company, payable June 30, 1944, to stockholders of record at the close of business June 17, 1944.

R. M. WAPLES, *Secretary*

GUARANTY TRUST COMPANY OF NEW YORK

New York, June 7, 1944.

The Board of Directors has declared a quarterly dividend of Three Per Cent. on the Capital Stock of this Company for the quarter ending June 30, 1944, payable on July 1, 1944 to stockholders of record June 14, 1944.

MATTHEW T. MURRAY, JR., Secretary.

J. I. Case Company

Incorporated

Racine, Wis., May 31, 1944.

A dividend of $1.75 per share upon the outstanding Preferred Stock of this Company, and a dividend of 75c per share upon the outstanding Common Stock of this Company have been declared payable July 1, 1944, to holders of record at the close of business June 12, 1944.

THEO. JOHNSON, Secretary.

MARGAY OIL CORPORATION

DIVIDEND NO. 57

The Board of Directors of the MARGAY OIL CORPORATION has this day declared a dividend of twenty-five cents a share on the outstanding stock of the corporation of the issue of 160.000 shares provided by amendment to the certificate of incorporation of April 27, 1926, payable July 10, 1944, to stockholders of record at the close of business June 20, 1944.

E. D. OLDENBURG, Treasurer.
Tulsa, Oklahoma, June 1, 1944.

DIVIDEND NOTICE
WESTERN TABLET & STATIONERY CORPORATION

Notice is hereby given that a dividend at th rate of $.50 per share on the issued and outstanding shares without par value of the Common Stock of Western Tablet & Stationery Corporation has been declared payable on June 30, 1944, to the holders of record of such shares at the close of busines on June 16, 1944.

E. H. BACH, Treasurer.

RADIO CORPORATION OF AMERICA

RCA

Dividend on
First Preferred Stock

The Directors have declared, for the period April 1, 1944 to June 30, 1944, a dividend of 87½ cents per share on the outstanding $3.50 Cumulative First Preferred Stock, payable July 1, 1944 to holders of record at the close of business June 12, 1944.

GEORGE S. DE SOUSA
Vice-President and Treasurer
New York, N. Y., June 2, 1944

Yields on San Francisco Oakland Toll Bridge Bonds

Kaiser & Co., Russ Building, San Francisco, Calif., members of the New York and San Francisco Stock Exchanges, have an interesting bulletin on the San Francisco-Oakland Bay Toll Bridge revenue bonds giving a schedule of call prices applicable at the various redemption dates and a tabulation of yields which the holder of sinking fund bonds would realize from such calls. Copies of this interesting bulletin may be had from the firm upon request.

Tomorrow's Markets Walter Whyte Says——

Market jitters follow Invasion news. Averages show selling level beginning 144. Don't expect too much advance until news following invasion is clarified. Events of Tuesday haven't changed market picture.

By WALTER WHYTE

Alongside the actual invasion news everything else pales into insignificance. The first taste of the news came last Saturday afternoon when the AP flashed, and later retracted, what everybody thought was an official communique. But it being a Saturday afternoon with the market closed there was no gauging the effect of the news.

* * *

Monday, however, saw a nervous market even though the Saturday flash had been cancelled. In retrospect it is easy to say that that day's nervousness was due to the impending effect of Tuesday's news. But there is no certainty. And anyway what difference does it make.

* * *

That an invasion was coming was inevitable. From a market viewpoint, however, the word "invasion" is an abstraction around which the hopes and fears of millions are built. As a market factor the actual invasion was merely a culminating event in a building-up process of months. As such its market effect was nil.

* * *

Disregarding all sentimental factors and analyzing the market strictly on its technical behaviour we see that the averages (Dow) moved up Tuesday to 142.74. Volume increased but considering the news, the increase was comparatively small. Stock market action during the day (Tuesday) was nervous. Some issues went up some went down. On the up-side it was the leaders, e.g. Steel and Motors that climbed nicely. In going to the above figure the market is up against a supply area which proved strong enough to restrain it five times in the past year. Here and there individual stocks managed to penetrate it. But the market as a unit doesn't show enough get-up-and-go to follow suit. As the market stands today, it gets its ammunition from news reflected in mass hopes rather than from any internal strength. If the former proves powerful enough it may even carry the averages through the levels that have stopped it in the past. But instead of being bullish such an event may

(Continued on page 2389)

Small Business Fate Vital Issue In NASD 5% Mark-Up Rule

(Continued from page 2364)

research. **Then the client will suffer.** If the dealer is limited to 5% why should dealers in other lines be allowed over 5%? Isn't this called discrimination? What about the Anti-Trust Law? America wasn't built on a 5% mark-up rule.

BOSTON, MASS.

We still have Attorney Generals and District Attorneys to enforce the laws against fraud and crime and I believe that the Federal Government should keep out of local affairs including financial affairs.

Regardless of the intent behind this Federal regulation, which intent might be honest, I believe the results are harmful to the public of this district. I know and like personally many of the holders of jobs on the SEC and its affiliate the NASD, but of all the misguided red tape, etc., etc. ad infinitum, well, I think Mr. Anderson, now Professor Anderson, is correct for calling for its abolishment. I'm sorry many of my friends will lose their present pay checks, but it is better that way than no market or almost no market for the securities of small corporations belonging to many widows and orphans through inheritance. Keep up your good work.

BUFFALO, N. Y.

It would penalize them by cutting down their distribution and favor the listed securities.

SMALL UPSTATE NEW YORK TOWN

(From firm favoring rule)

Better market through more confidence by investors in dealers.

GLEN FALLS, N. Y.

It certainly will not help them.

ATLANTA, GA.

It will largely destroy it.

CHICAGO, ILL.

Unfavorable, unless the small dealer is permitted to charge up to 10% on certain of his business he will be compelled to close up his shop.

NEW YORK CITY

I am convinced it will **seriously restrict** the market for securities of the smaller corporations. Good marketability should be worth more than 5% of the value of any man's investments. A 5% mark-up is totally inadequate to cover the dealers' efforts in creating a market for issues of the smaller companies. I believe the 5% mark-up rule is not in the public interest and this is an unprejudiced opinion as I am not now a broker-dealer.

BOSTON, MASS.

Decidedly bad. Dealers will shun commitments with the result that spreads between bid and asked will become increasingly wide. The situation will deteriorate to such an extent that many heretofore small reputable companies whose securities have enjoyed justified popularity will find little demand for those securities. The result will be that markets will be demoralized and respectable securities will suffer a severe lack of interest on the part of investors. Sorry we cannot take a more hopeful view.

SYRACUSE, N. Y.

Ruinous.

A SMALL PENNSYLVANIA TOWN

Put them all out of business or force us to work for Stock Exchange houses.

CINCINNATI, OHIO

The effect of the above rule will mean the lack of markets. The element of profit is the one reason a dealer will buy securities for his own account. We have been instrumental in making markets for securities of small corporations. However, if such a rule becomes effective our margin of profit will not warrant the risk.

BOSTON, MASS.

Ruin them.

BOSTON, MASS.

(From firm favoring rule)

If all firms large and small will uniformly mark-up their sales the full 5% instead of some firms offering their services to buy as agents for their customers at the wholesale price plus a small commission, and some firms selling as principal at 5% mark-ups and even more, then all would be making a reasonable profit and confidence in the business on the part of the public, because all would be treated alike by their brokers, would be considerably increased.

BUFFALO, N. Y.

Too many salaried people, who have had no personal responsibility in a business of their own, are making rules for men of honest endeavor and purpose who have enough American initiative to ethically run their business without unsolicited and unworkable forced rules. **The Commercial and Financial Chronicle has shed enough light on this unnecessary 5% mark-up.** It may, if placed in effect, be another destructive means to small industry security markets and to small investment dealers maintenance of worthy service to both small borrowed and small investor. The relatively few large-profit dealers who gauge the public are normally caught up with. The majority of dealers don't need this restriction. Better spend this time selling war bonds with no 5% mark-up.

BOSTON, MASS.

Ruin.

BOSTON, MASS.

Wouldn't know. Think the whole idea silly.

NEW YORK CITY

Dealers will concentrate on the larger and more active issues, where the market is close. Market on smaller corporations will be hit severely and will not be able to raise capital to expand. May eventually put them out of business, as soon as competition sets in after the war.

NEW YORK CITY

With limitation on mark-up dealers will not handle securities of smaller corporations and markets so they will practically disappear. Holders of these securities will have to find their own buyers and sellers.

NEW YORK CITY

Do not believe the small firms who cannot take position in securities they are retailing can live.

LOS ANGELES, CALIF.

(From firm favoring rule)

For a good many months we have been receiving from your office reprints of articles which have been published in the Commercial and Financial Chronicle concerning what you call the "5% spread rule" of the NASD. We have, of course, disregarded all of these communications but when we received, under date of Mar. 22nd, a questionnaire from you in this matter, it moves us to become more articulate as we are considerably concerned with the future of the investment business in this country.

If your interest in this matter is purely one of a financial publication endeavoring to serve its subscribers, we earnestly feel that you would be doing them a great service by acting in cooperation with the best minds in the investment business rather than attacking the result of much hard work and study by men who merit the confidence of everyone in our profession.

If you have any other interest than this, you will, of course, be guided by motives which we cannot here even attempt to analyze. Let us say, however, that the writer of this letter has been in the investment business in California for more than a quarter of a century, that he has been connected with the Investment Bankers Association and with the NASD in an official capacity; that in all of his conversations with the various investment dealers in this territory concerning the letter of the Directors of the NASD; he has yet to find any worthwhile legitimate organization who has not been perfectly in accord with the philosophy expressed. And, insofar as we can see here, the only dealers that might not be in accord with this policy letter would be those dealers who have not the good of the investment business at heart.

NEW YORK CITY

They will have a poor market; for, no salesman will waste his time on them; and new issues of that sort will probably find no market. In times such as these I'll sign X.

NEW YORK CITY

It will kill a lot of business. Brokerage houses should not belong to the NASD. What do they do for the brokers? Whatever brokers support they'd collapse—we are in favor of it. Their attitude is the same as Washington's—all brokers are crooks.

NEW YORK CITY

A small dealer will no longer be able to pick out and study the most attractive situations. Consequently he will follow line of least resistance and sell investment trust issues and new underwritings and his clients will be the chief losers. Furthermore, the business will be increasingly concentrated in the hands of the large underwriting houses.

A SMALL MISSISSIPPI TOWN

Will retard if not destroy.

A SMALL TEXAS TOWN

Think they will go to the bottom.

DALLAS, TEXAS

It will have no effect on me; and about all of my business is on a 1% or 2% basis; but this rule will affect trades in low-value stocks or on new issues of both stocks and bonds coming out; that in my judgment cannot be handled on a 5% basis; and are really worth a higher charge. Hence, this 5% rule would be hurtful; and certainly is arbitrary.

HOUSTON, TEXAS

There won't be a market.

FORT WORTH, TEXAS

It will kill what is left of the business.

WILMINGTON, DEL.

(From firm favoring rule)

Frankly it seems to the writer as if you are making a tremendous to-do about this situation. It may be sounding the death knell for certain dealers who have believed in terrific spreads, but I for one feel that the elimination of such dealers would be all to the good. I believe that we are going to have to get along with less in the future and I think that we should begin to school ourselves along these lines at once. This may be aside from the point, but just what is your fear about this 5% mark-up? Have you read an emanation of Thomas D. Sheerin Company of Indianapolis, Ind., dated Feb. 29, 1944, entitled "As We View It"? Why don't you send for it as you should be interested in it.

TERRE HAUTE, IND.

No one will be very much interested in handling them. Brokerage business is a sideline for us.

DENVER, COLO.

Ruin it!

COLUMBUS, NEB.

Rather think it will be a handicap in selling such securities.

ABILENE, TEXAS

Will restrict market.

A SMALL WEST VIRGINIA TOWN

If the dealer is confined to 5% it will mean the destruction of all of the small dealers and remove the opportunity for corporations with small assets to secure capital.

A SMALL VIRGINIA TOWN

Will discourage dealers from marketing or redistributing little known but otherwise sound values in small corporations. Why should a dealer spend time and money trying to establish a good market when there will be more expense than eventual income. Consequently many stocks will have no market.

DAVENPORT, IOWA

They will have to depend on some government financial corporation for their capital funds.

LINCOLN, NEB.

Certain to restrict the market.

A SMALL NEW YORK STATE TOWN

Detrimental.

MEMPHIS, TENN.

Don't know about this, but it is decidedly a move toward further regimentation.

KANSAS CITY, MO.

It is obvious to anyone who has the slightest knowledge of the investment business that the 5% rule is sure death for a small investment firm. It will completely freeze the marketing or selling of small corporations securities. It allows nothing for a salesman who has to make many personal calls. It would allow nothing for liability, or wholesaling or distributing expense for an unlisted block or issue of securities.

A pretty large bank once told me it cost them 2 points on bonds to do business. This will vary on amount of business done. Trading houses, or trading departments, or members of exchanges who are primarily order takers like a grocery store, and do not render any service nor have retail salesmen would not earn the 5%. Likewise they would never have or create a market for small or isolated securities, hence contributing nothing to the investment business.

NEW YORK CITY

A 5% mark-up does not permit sufficient margin for the expense entailed in the distribution of securities which must be **sold.** In other words, large, well-known corporations can find more or less ready distribution whereas small more or less unknown corporations must be sold to the investor. Hence fewer sales are made and cost of obtaining names of prospective investors is greater, so that more than 5% of the sales price would be absorbed by expenses. For this reason it is our opinion that the 5% rule would preclude small corporate financing.

NEW YORK CITY

As specialists in inactive securities we feel that the 5% rule would frequently make it impossible for us to do the business, due to the high overhead caused by research, etc.

NEW YORK CITY

It will not make it worthwhile for the broker and salesman to devote the extra time and effort which are necessary to present the securities of the smaller corporations, and furthermore it will drive a large number of good salesmen into commercial fields where they can enjoy at least 10% net commission without having to split it with their employers.

NEW YORK CITY

(From firm favoring rule)

If we are not to be persecuted by the SEC because of lawlessness of a few unscrupulous dealers, there must be some rule as to the amount of mark-up which can be taken. The present rule is an attempt to establish this amount. We believe that out of it will evolve some less rigid rule. Manifestly a mark-up of 5% on a bond selling at 100, is too much. Similarly, a mark-up of 5% on a stock selling at 2 is too little.

Too rigid application of the rule would lead to destroy the market for securities of small and little known companies. If there exist only one or two markets for a given security, money invested is locked in permanently unless a dealer can make more than 5% on a sale. The subject requires considerably study. Lacking any other standard or vote for the 5% rule, hoping it will be relaxed in some cases.

BOSTON, MASS.

Probably restrict obtaining a "fair" or real value in the sale. Brokers will not be able to obtain a market of real value and investors will not care to buy.

LITTLE ROCK, ARK.

Marketwised it should make them better as 5% mark-up would induce trading.

WICHITA, KANS.

We consider the 5% mark-up rule would be harmful to the market for securities for smaller corporations.

NEW YORK CITY

I believe it would have the effect of stiffling such markets. I believe further that it will lead to retarding the financing of smaller corporations with resultant undesirable effects on employment of many thousands of workers throughout the country. I believe further that this question of regulated mark-up would be disastrous to the investment business should it become law. Certainly too great a mark-up can be prosecuted under our present fraud laws.

NEW YORK CITY

The time involved in investigating securities to discover ones worthy of recommending, and then the follow up on these securities (furthered and continued examination of them, which means interviews with officers and directors, inspection of plants, etc.) all this work means either one of two things.

1. A dealer cannot generally cover his cost with a 5% mark-up.
2. He will have to restrict his clientele to those who are very wealthy and buy in large quantities.

This would leave the small investor to the mercy of the ignorant or unscrupulous security (or insecurity) salesmen.

NEW YORK CITY

Will impair the markets for securities of smaller corporations.

NEW YORK CITY

Will certainly cause lessening of market activity and will eventually prove injurious to the stockholders of small corporations.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 2388)

prove to be the culmination of a move rather than a signal for a new advance. Without taking invasion into consideration 144-145 looked like a top last week, and the week before that. The actual invasion hasn't changed it.

* * *

On the individual stock side the two issues this column is still long of—Crane at 22½ (now about 25) and National Gypsum at 10¾ (now about 11) still act okay. Yet if the market goes down neither of these stocks can withstand the tide. Incidentally, while discussing National Gypsum it might be interesting to point out that it is one of a number of stocks which may well pass from the dog to the blue chip side. The fortunes of war will be principally responsible for this metamorphosis, should it take place. For this reason such issues as Mullins "B," Hayes and Murray, known before the war as body builders, are also in the up and coming class. All this is however in the future. I am merely pointing them out as candidates to be included in the buy list when market conditions permit.

* * *

Meanwhile I expect the market to slop off to about 139 or so rally when the news is good and decline when it is bad. The successes and failures that will follow the invasion will play a major part in the market picture.

* * *

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

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CHICAGO DETROIT PITTSBURGH
GENEVA, SWITZERLAND

Hearing On NASD "5% Spread Philosophy"

(Continued from page 2363)

tection of investors that a hearing be held on the question whether the aforesaid letters of Oct. 25 and Nov. 9, 1943, constitute a rule or rules, and, if so, whether the Commission should take any action pursuant to Section 15A (k) of the Securities Exchange Act of 1934 as amended."

Our readers will recall that the columns of this paper heretofore carried the full text of the resolution and letter sent by the New York Security Dealers Association to the SEC, as well as the petition filed by the Securities Dealers Committee.

All of these raised the issue of "5% spread philosophy" —rule or interpretation.

As to that issue, the order of the Commission is complete.

However, the petition of the Securities Dealers Committee raised a number of issues. We quote them all:

"The said rule is illegal upon the following grounds, among others:

"(a) It was not submitted to the vote of the NASD membership as required by Article VII, Section 1 of the by-laws of said NASD.

"(b) Neither it nor the manner of its passage has been approved by the Securities and Exchange Commission.

"(c) It is monopolistic in its operation, contravenes the anti-monopoly statutes in that it tends and will tend to eliminate the small dealer in securities and thus cripple competition.

"(d) It was promulgated by an organization, to wit, NASD created under an illegal statute, to wit, the Maloney Act, which contravenes the law of the land because it is special legislation in effect giving to the NASD certain exclusive and monopolistic privileges amongst them that of having its members participate in certain financial advantages and dealings to the exclusion of non-members; as a result, the NASD is a body which is not legally constituted and is therefore without any rule-making power.

"(e) It constitutes the exercise of a legislative function which the Congress had neither the intention nor the power to delegate to NASD, and which the Congress in fact never so delegated.

"(f) It is a modification of the law and of trade custom and usage, which the NASD is without legal right to effect.

"(g) It is unconstitutional because confiscatory since it disregards the profit motif in business.

"(h) It constitutes an illegal exercise of legislative powers and governmental functions by a private association.

"(i) It constitutes a burden upon and impairment of interstate commerce.

"(j) It is contrary to the common law and to trade practices and usage by inferring fraud merely from the spread between purchase and sales price of securities despite the fact that no representations of any kind accompanied such purchases and sales.

"(k) It tends to limit and destroy the markets for securities of the smaller corporations of the country and is therefore against public interest and against public policy.

"(l) It is unconstitutional because it deprives securities dealers of property rights without due process of law."

Clearly, what the Securities and Exchange Commission has done is to single out an issue and limit the scope of its hearing. We do not assume to pass upon its power so to do. However, we are of the opinion that the public and the securities industry would have been best served, if all the issues raised by the petition were embraced within the scope of the hearing.

It may be possible that as to some of these, the SEC is without jurisdiction. If so, the Commission should make that determination.

We regret that the scope of the hearing has been thus limited because we feel this is not the end. If the philosophy is held to be a mere interpretation, the other questions will of necessity have to be presented at some time, to another forum, or other fora, for determination.

The full text of the SEC's order for proceedings and notice of hearing follows:

SECURITIES AND EXCHANGE COMMISSION
Philadelphia

SECURITIES EXCHANGE ACT OF 1934
Release No. 3574

United States of America
Before the Securities and Exchange Commission

At a regular session of the Securities and Exchange Commission, held at its office in the City of Philadelphia, Pa., on the 1st day of June, A. D., 1944.

In the Matter of
The Rules of the
NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

Order for Proceedings and Notice of Hearing Under Section 15A (k) of the Securities Exchange Act of 1934 as Amended

I

The Commission's official files disclose that:

1. The National Association of Securities Dealers, Inc., is a national securities association registered pursuant to the provisions of Section 15A (a) of the Securities and Exchange Act of 1934 as amended.

2. The rules of such Association include a provision reading as follows:

> "A member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade."

being found in Section 1 of Article III of the Rules of Fair Practice of said Association.

3. By letter dated Oct. 25, 1943, the Board of Governors of said Association announced to its members, among other things, that it had approved the following interpretation of the meaning of the rule quoted in the preceding paragraph:

> "It shall be deemed conduct inconsistent with just and equitable principles of trade for a member to enter into any transaction with a customer in any security at any price not reasonably related to the current market price of the security."

4. Subsequently and on Nov. 9, 1943, the Chairman of the Board of Governors of the Association and its Executive Director sent a letter to all of its District Business Conduct Committees containing the following, among other things:

> "The general import of this statement and the construction that should be placed upon it is that, when transactions show a mark-up of over 5% on the part of a member, it raises the question as to whether there is a violation of the Rule and interpretation. In such a situation, a duty is imposed upon the member to show the satisfaction of the Business Conduct Committee that no violation has occurred."

5. Following the events recited in the preceding paragraphs, the New York Security Dealers Association adopted a resolution asserting that the Association's letter of Oct. 25, 1943, has the practical effect of a rule and requesting the Commission to direct the National Association of Securities Dealers, Inc., "to sumbit said 'rule' to its membership as required in Article IV, Section 2 of its by-laws," or in the alternative that the Commission "grant to the representatives of the New York Security Dealers Association an opportunity for a hearing to present its point of view."

6. Thereafter, Messrs. William S. Baren, Baron G. Helbig, and Benjamin S. Lichtenstein, as "representatives of a voluntary committee of securities dealers known as 'Securities Dealers Committee'" filed a petition referring to the letters of Oct. 25 and Nov. 9, 1943, aforesaid, as a "rule" of the Association, asserting that the action taken was illegal upon various grounds stated in the petition, requesting a hearing upon their petition, and requesting "the rule herein referred to be cancelled, revoked and declared a nullity."

II

The Commission, having considered the aforesaid, deems it necessary and appropriate in the public interest and for the protection of investors that a hearing be held on the question whether the aforesaid letters of Oct. 25 and Nov. 9, 1943, constitute a rule or rules and, if so, whether the Commission should take any action pursuant to Section 15A (k) of the Securities Exchange Act of 1934 as amended.

III

IT IS HEREBY ORDERED that a hearing on such question be held before the Commission at 10:30 a. m. on Tuesday, June 13, 1944, at the office of the Securities and Exchange Commission, 18th and Locust Streets, in the City of Philadelphia 3, Pennsylvania.

IT IS FURTHER ORDERED that this order and notice be served on the National Association of Securities Dealers, Inc., the New York Security Dealers Association, and the "Securities Dealers Committee" personally or by registered mail not less than seven (7) days prior to the time of the hearing.

By the Commission.

ORVAL L. DuBOIS, *Secretary.*

Christmas Mail For Armed Forces Overseas

Postmaster Albert Goldman announced on June 5 that the Post Office Department, Washington, D. C., advises that in order that Christmas parcels may reach the addressees on time and in good condition, arrangements have been made by the Post Office Department, in cooperation with the War and Navy Departments (the latter including the Marines and Coast Guard) for the acceptance of such parcels for members of our armed forces serving outside the continental United States. The announcement states:

"Christmas cards and Christmas parcels for personnel of the armed forces overseas must be mailed during the period beginning Sept. 15, 1944, and ending Oct. 15, 1944, the earlier the better.

"The War Department advises that Christmas greeting cards for soldiers overseas must be sent in sealed envelopes and prepaid at the first-class rate.

"No requests from the addressees are required in connection with Christmas parcels mailed to Army personnel during this period only. Patrons should endorse each gift parcel "Christmas Parcel." Special effort will be made to effect delivery of all Christmas parcels mailed during that period in time for Christmas.

"Not more than one Christmas parcel or package will be accepted for mailing in any one week when sent by or on behalf of the same person or concern to or for the same addressee.

"Christmas mail for members of the Merchant Marine should also be mailed between Sept. 15 and Oct. 15, 1944, if delivery by Dec. 25, 1944, is desired.

"In addition to the name and address of the sender, which is required, inscriptions such as "Merry Christmas," "Please Do Not Open Until Christmas," "Happy New Year," "With Best Wishes" and the like may be placed on the covering of the parcel in such manner as not to interfere with the address or on a card enclosed therewith. Books may bear simple dedicatory inscriptions not of a nature of personal correspondence. Stickers or labels resembling postage stamps are not permissible on the outside of parcels.

"The term 'armed forces overseas' includes the personnel of our armed forces who receive their mail through an A.P.O. or Fleet P. O. in care of the postmaster at New York, N. Y., San Francisco, Calif., New Orleans, La., Seattle, Wash., or an A.P.O. in care of the postmaster at Miami, Fla., Presque Isle, Maine, or Minneapolis, Minn., or through a naval installation or station in care of the postmaster of Seattle.

Attractive Situation

Laclede-Christy Clay Products Co. common, which is listed on the St. Louis Stock Exchange, offers an interesting situation, according to a memorandum issued by Herzog & Co., 170 Broadway, New York City. Copies of this memorandum may be obtained from Herzog & Co. upon request.

Halsey, Stuart Offers Central RR of Pa Equips

Halsey, Stuart & Co., Inc., on June 7 offered to the public $3,720,000 of Central Railroad Co. of Pennsylvania's 2¼% equipment trust certificates, maturing annually from June 15, 1945 to June 15, 1959. The certificates are offered at prices to yield 0.95 to 2.50%, according to maturity.

The certificates, subject to Interstate Commerce Commission approval, are to provide not more than 75% of new equipment estimated to cost $4,971,157. This will include 1,000 seventy-ton gondola cars, 500 fifty-ton hopper cars and 100 seventy-ton flat cars.

The issuing company is wholly owned by the Central Railroad Co. of New Jersey, whose trustees will guarantee principal and dividends on the equipment trust certificates.

Other members of the offering group are: Otis & Co., Inc.; L. F. Rothschild & Co.; Hornblower & Weeks; Gregory & Son, Inc.; First of Michigan Corp.; The Milwaukee Co.; The First Cleveland Corp.; Walter Stokes & Co.; F. S. Yantis & Co., Inc.; Newburger & Hano; Alfred O'Gara & Co.

Semler, Inc. Common Offered By Eberstadt

F. Eberstadt & Co. on June 6 offered and quickly sold 101,300 shares of common stock of R. B. Semler, Inc., at $10.50 per share. Of the stock offered, 15,000 shares represents new financing by the company for general corporate purposes, the balance, 86,300 shares, having been acquired from certain large stockholders.

Giving effect to the new financing, the company will have outstanding 400,000 shares of $1 par common stock. Net profits for 1943, after Federal income taxes of $1,346,120, amounted to $484,553, equivalent to $1.21 per share. Net profits for the three months to March 31, 1944, amounted to $142,160, equal to 35 cents per share.

According to the prospectus, the company intends to apply for the listing of its stock upon the New York Curb Exchange.

Attractive Situations

Ward & Co., 120 Broadway, New York City, have prepared circulars on several situations which currently offer attractive possibilities, the firm believes. Copies of these circulars, on the following issues, may be had from Ward & Co. upon request.

Du Mont Laboratories "A"; Merchants Distilling; Crowell-Collier Publishing; P. R. Mallory; General Instrument: Long Bell Lumber Co.; Great American Industries; Mid-Continent Airlines; Massachusetts Power & Light $2 preferred; Majestic Radio; Magnavox Corp.; Brockway Motors, Mohawk Rubber, and American Export Airlines.

Interesting Situation

Common stock of Federal Water & Gas offers an attractive situation, according to a memorandum issued by Boenning & Co., 1606 Walnut Street, Philadelphia, Pa. Copies of this interesting memorandum may be had from Boenning & Co. upon request.

Attractive Situations

The current situations in Loft Candy Corp., Majestic Radio and Television, and Allen du Mont Laboratories offer attractive possibilities according to a memorandum issued by J. F. Reilly & Co., 111 Broadway, New York City. Copies of these interesting memoranda may be had from the firm upon request.

Calendar Of New Security Flotations

OFFERINGS

ALLEGHANY CORP. has filed a registration statement for $30,000,000 3¼% secured convertible notes due April 15, 1954. Net proceeds, together with other funds of company, will be used for the redemption of all of the outstanding bonds of Alleghany within 60 days from the date of issuance of the notes, including $21,661,000 of 20-year collateral trust convertible 5s due June 1, 1949, and $19,137,000 of 20-year collateral trust convertible 5s due April 1, 1950. The notes are to be convertible into shares of the pledged common stock of the Chesapeake & Ohio Ry (or into substituted units of collateral as provided in the indenture). Filed May 19, 1944. Details in "Chronicle," May 25.

Offered June 7 at 102.15 and interest by Dillon, Read & Co., Hemphill, Noyes & Co., The First Boston Corp., Mellon Securities Corp., Smith, Barney & Co., and associates.

BEATRICE CREAMERY CO. has filed a registration statement for 100,433 shares of common stock ($25 par). Company is initially offering the shares for subscription to common stockholders. Holders of record May 19 are given right to subscribe for one additional share for each four shares held at $27.50 per share. Rights expire June 1. Proceeds, together with other treasury funds, will be used to redeem on Aug. 1, 1944 approximately 29,788 shares (33⅓%) of company's outstanding $4.25 cumulative preferred stock at $105.50 per share. Glore, Forgan & Co., are principal underwriters. Of the 100,433 shares offered, stockholders subscribed for 92,435 shares. The balance 7,998 shares were taken up by the underwriters. Filed April 29, 1944. Details in "Chronicle," May 4.

DALLAS RAILWAY & TERMINAL COMPANY has filed a registration statement for $3,000,000 first mortgage serial bonds dated June 1, 1944 due each June 1 from 1945 to 1959, inclusive. Proceds from the sale of the bonds, together with such additional cash from its general funds as may be necessary, will be used to redeem $3,567,700 first mortgage gold bonds, 6% series due 1951, at 102 and interest. Filed May 3, 1944. Details in "Chronicle" May 11, 1944. Bonds awarded to Kidder Peabody & Co., June 5 on bid of 3.6448, the coupon rates varying from 1½% to 4%.

Offered June 7 by Kidder, Peabody & Co., Rauscher, Pierce & Co., Inc., Equitable Securities Corp. and associates at prices ranging from 100 and interest to 102.5496 and interest, according to coupon rate and maturity.

THE DRACKETT CO. filed a registration statement for $1,500,000 5% 15-year sinking fund debentures due June 1, 1959, and 85,000 shares of common stock, par $1 per share. Proceeds will be used for payment of serial promissory notes $411,045, plant and equipment $430,000, reimburse treasury for improvement made $110,000, general corporate purposes $1,033,955. Details in "Chronicle," May 31. Filed May 20, 1944. Offered June 7 by Van Alstyne, Noel & Co., Field Richards & Co. and R. S. Dickson & Co., Inc., the bonds at 100 and interest and the stock at $8 per share.

NATIONAL AIRLINES, INC., filed a registration statement for 113,333⅓ shares of common stock, par $1 per share. Proceeds will be available for general corporate purposes pending specific application of such funds. Details in "Chronicle," May 31 Filed May 23. Offered June 7 by Lehman Brothers at $13.75 per share.

R. B. SEMLER, INC., has filed a registration statement for 101,300 shares of common stock, par $1. Of the total 15,000 represent stock to be sold by the company and the remaining 86,300 shares to be sold by present stockholders. Net proceeds from sale of 15,000 shares by the company are to be used for general corporate purposes. F. Eberstadt & Co., heads the list of underwriters. Filed May 20, 1944. Details in "Chronicle," May 25.

Offered June 6 by F. Eberstadt & Co. at $10.50 per share.

SPRAGUE-WARNER-KENNEY CORP. — 15,000 shares of 6% cumulative preferred stock (par $100). Proceeds will be used for the acquisition of a maximum of 8,649 shares of Western Grocer Co. 7% preferred in exchange of shares and $575,000 will be applied to retirement of 5,750 shares of 6% cumulative preferred of Sprague at $100 per share. Company also plans to issue $3,250,000 face amount of installment promissory notes and use proceeds as additional working capital. A. C. Allyn & Co., Inc., underwriter. Filed March 16, 1944. Details in "Chronicle," March 23, 1944.

Offered 15,000 shares of 6% preferred stock May 31 by A. C. Allyn & Co. and associates at 100 and dividend.

SUNRAY OIL CORP. has filed a registration statement for $13,000,000 sinking fund 3¾% debentures. Proceeds is to provide the funds required for the consummation of the proposed merger of Darby Petroleum Corp., of Tulsa, Okla., into Sunray Oil Corp., and to retire mortgage indebtedness. Eastman, Dillon & Co., principal underwriter. Filed May 18, 1944. Details in "Chronicle," May 25.

Offered June 8 at 103 and interest by Dillon, Read & Co., The First Boston Corp., Blyth & Co., Inc. and associates.

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

SUNDAY, JUNE 11

MORRISON-KNUDSEN CO., INC., has filed a registration statement for $300,000 series K 5% preferred stock and $200,000 series L 6% preferred stock, both $100 par value. Serurities will be offered by Morrison-Knudsen Co., Inc., at par. Any part of the issue not sold by company officials will be sold through Wegener & Daly, Inc., Boise, Idaho as underwriters. Details in "Chronicle," May 31. Filed May 23.

HAWAIIAN ELECTRIC CO., LTD., filed a registration statement for $5,000,000 first mortgage bonds, series D, 3½%, due Feb. 1, 1964.

Address—900 Richards Street, Honolulu, Hawaii.

Business—Operating electric utility.

Proceeds—To pay the company's 3% collateral promissory notes due June 1, 1948, in the principal amount of $3,500,000; to pay for additions, improvements and betterments of plant and properties to be made prior to the close of 1945.

Underwriting—Dillon, Read & Co., New York and Dean Witter & Co., San Francisco.

Offering—Price to the public will be supplied by amendment.

Registration Statement No. 2-5383. Form S-1. (5-23-44).

TUESDAY, JUNE 13

HAYES MANUFACTURING CO. has registered 100,000 shares of common stock $2 par value. Net proceeds will be received by Porter Associates, Inc. The moneys paid to the corporation by Porter Associates, Inc., on account of the purchase of said shares will, in the estimated amount of $187,500, reimburse the corporation in part for the $200,000 expended by it in purchasing such shares. Porter Associates, Inc., underwriters. Details in "Chronicle," May 31. Filed May 25.

SATURDAY, JUNE 17

EXCESS INSURANCE CO. OF AMERICA has filed a registration statement for 48,981 shares of capital stock, par $5 per share.

Address—99 John Street, New York City.

Business—General casualty and fidelity and surety business.

Underwriting—None named.

Offering—Shares are to be offered for subscription to present stockholders of record May 31, 1944, on a pro rata basis at $8 per share.

Proceeds—Net proceeds will be added to company's capital and surplus funds.

Registration Statement No. 2-5386. Form S-1. (5-29-44).

UNION TRUSTEED FUNDS, INC., has filed a registration statement for 154,173 shares Union Bond Fund "C" and 53,702 shares Union Preferred Stock Fund, total 207,875 shares.

Address — One Exchange Place, Jersey City, N. J.

Business—To purchase, sell and hold for investment, securities subject to the limitations of its certificate of incorporation, and to the provisions of a trust agreement.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5387. Form A-1. (5-29-44).

GERMANTOWN FIRE INSURANCE CO. has filed a registration statement for 50,000 shares of common stock, $20 par, and voting trust certificates for said stock.

Address—5521 Germantown Avenue, Philadelphia.

Business—Company is proposed to be organized as a Pennsylvania corporation to succeed to the business and property of the Mutual Fire Insurance Co. of Germantown which will then cease to exist.

Underwriting—Bioren & Co., Philadelphia.

Offering—Policyholders of Mutual are to have pre-emptive rights to subscribe for the common stock at $20 per share in proportion to the respective premiums paid by them upon insurance policies issued by Mutual. Voting trust certificates representing shares not subscribed will be offered to the general public at the same price. All stockholders will be asked to deposit shares in the voting trust for a period of 10 years.

Proceeds—Will be added to and retained in company's capital share account and invested in legal securities.

Registration Statement No. 2-5388. Form S-1. (5-29-44).

GERMANTOWN FIRE INSURANCE CO. —William H. Emhardt, Arthur W. Jones and Charles E. Dearnley, voting trustees, have filed a registration statement for voting trust certificates for 50,000 shares of the common capital stock, par $20.

Address — 5521 Germantown Avenue, Philadelphia.

Purpose—To form a voting trust for a period of ten years. See above registration.

Registration Statement No. 2-5389. Form F-1. (5-29-44).

MONDAY, JUNE 19

AMERICAN MACHINE & METALS, INC., filed a registration statement for $2,000,000 15-year sinking fund debentures, due June, 1959, and 68,450 shares of capital stock, without par value. The interest rate on the debentures will be supplied by amendment.

Address—100 Sixth Avenue, New York City.

Business—Manufacture of machinery etc.

Underwriting—Hornblower & Weeks is named principal underwriter, with names of others to be supplied by amendment.

Offering—The 68,450 shares of capital stock are to be offered for subscription to the holders of capital stock at the rate of one share for each four shares held. The subscription price as well as the record date and time when subscription warrants will be filed by amendment. The public offering price of the debentures will be filed by amendment.

Proceeds—The net proceeds from the sale of the debentures and stock will be applied, together with additional funds from the company's treasury, to repay a $3,000,000 temporary bank loan which was incurred in the purchase last March of control of the United States Gauge Co.

Registration Statement No. 2-5391. Form S-1. (5-31-44).

PANHANDLE EASTERN PIPE LINE CO. has filed a registration statement for 531,638 shares of common stock, without par value. The shares registered are issued and outstanding and are owned by Missouri-Kansas Pipe Line Co.

Address—1221 Baltimore Avenue, Kansas City, Mo., and 135 South LaSalle Street, Chicago.

Underwriting—None stated.

Offering—Mokan will offer to the holders of its common stock and Class B capital stock, of record on July 3, 1944, the right to purchase, pro rata, 163,710 shares of the common stock of Panhandle, at the price of $30 per share, on the basis of one share of common stock of Panhandle for each 10 shares of common or 200 shares of Class B capital stock of Mokan. Such purchase offer will expire on Aug. 12, 1944.

Proceeds—Net proceeds will be used to pay off indebtedness to banks and insurance companies in the sum of $5,050,000. After payment by Mokan of the indebtedness, it will offer to each holder of its common stock or Class B capital stock according to a plan adopted by the stockholders on March 27, last, the right and privilege of exchanging all or any part of his holdings of such stock for full shares of the common stock of Panhandle, on the basis of two shares of Panhandle for nine shares of Mokan common or 180 shares of Class B capital stock of Mokan, or any combination of common and Class B capital stock of Mokan equivalent thereto. The exchange offer will expire April 15, 1945.

Registration Statement No. 2-5390. Form S-1. (5-31-44).

THURSDAY, JUNE 22

FLEMING COMPANY, INC., has filed a registration statement for 2,500 shares of preferred stock, 5% cumulative, $100 par value.

Address—311 East 17th Street, Topeka, Kan.

Business—Engaged in wholesale mercantile business.

Underwriting — Beecroft, Cole & Co., Columbian Securities Corp. and Seltsam & Co., Inc., Topeka, Kansas.

Offering—Price to public $103 per share.

Proceeds—To be used to increase working capital through the reduction of bank loans.

Registration Statement No. 2-5392. Form A-2. (6-3-44).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

AMERICAN BAKERIES CO.—13,000 shrs. of class B stock (no par). The stock offered for sale is that of L. A. Cushman and Martha Bryan Allen Cushman as trustees of L. A. Cushman Trust. Courts & Co. are named principal underwriters. Filed March 29, 1944. Details in "Chronicle," April 6, 1944.

BEN-HUR PRODUCTS, INC. — $300,000 5% convertible debentures, series of 1943, due Feb. 1, 1951 and 11,400 prior preferred shares (for purpose of conversion). Proceeds to retire bank loans and working capital. Pacific Co. of Calif. and Wyeth & Co. named underwriters. Filed Dec. 20, 1943. Details in "Chronicle," March 9, 1944.

BURRY BISCUIT CORPORATION has filed a registration statement for 200,000 shares of common stock, par value 12½ cents. Proceeds will be used to augment working capital and for other corporate purposes. Van Alstyne, Noel & Co., and Carlton M. Higbie Corp. are named representatives of the underwriters. Filed May 11, 1944. Details in "Chronicle," May 18, 1944.

Registration statement withdrawn May 30, 1944.

CARPENTER PAPER CO.—15,000 shares of common stock (par $1). Price to public $30 per share. 1,717 shares are being currently offered to a group of officers and employees at $21.50 per share under a separate registration and prospectus. Net proceeds ($446,000) are to be used for working capital. Kirkpatrick-Pettis Co. are underwriters. Filed March 30, 1944. Details in "Chronicle," April 6, 1944.

EQUIPMENT FINANCE CORP. filed a registration statement for 14,000 shares 4% non-cumulative series 2 preferred, par $100. Price to the public $100 per share. Proceeds for acquisition of factory and warehouse buildings and additional trucks. Filed May 19, 1944. Details in "Chronicle," May 25.

KANSAS - NEBRASKA NATURAL GAS CO., INC., has filed a registration statement for $1,500,000 first mortgage sinking fund bonds 4% series C, due April 1, 1959. Central Republic Co., Inc., Chicago, underwriter. Price 107 exclusive of accrued interest from April 1, 1944. Proceeds for construction purposes. Details in "Chronicle," April 27, 1944.

KANSAS - NEBRASKA NATURAL GAS CO., INC., has filed a registration statement for 2,000 shares of $5 cumulative preferred stock (no par) and 58,636 shares of common stock ($5 par). Holders of common stock of record May 12 are offered the right to purchase one share of common at $6.50 a share for each four shares held. Rights expire May 26, 1944. Unsubscribed shares will be taken up by the underwriters at $6.50 a share and offered to the public at $7 per share. Offering price of the preferred to the public is $105 a share. Proceeds from sale of stock will be used to defray costs of construction expenditures. Underwriters for stock are First Trust Co. of Lincoln, Neb.; Cruttenden & Co., Chicago; Beecroft, Cole & Co., Topeka; Harold E. Wood & Co., St. Paul; Rauscher, Pierce & Co., Dallas; United Trust Co. of Abilene, Kansas, and Frank & Belden, Inc., Minneapolis. Details in "Chronicle," April 27, 1944.

MISSISSIPPI VALLEY PUBLIC SERVICE CO. has registered 15,000 shares of 5% cumulative preferred stock ($100 par). Company is offering to holders of its outstanding 7% cumulative preferred stock, series A, and 6% cumulative preferred stock, series B, the privilege of exchanging their old stock for new preferred on a share for share basis, with a cash adjustment amounting to $7.83⅓ a share on the 7% stock and $2.66⅔ a share on the 6% preferred. The exchange offer will expire at noon on May 20. Underwriters are Milwaukee Co., 5,750 shares; Wisconsin Co., 4,750; Morris F. Fox & Co., 1,500; Loewi & Co., 1,500; Bingham, Sheldon & Co., 1,000 all of Milwaukee, and A. C. Tarras & Co., Winona, Minn., 500. Filed April 25, 1944. Details in "Chronicle," May 4.

PUBLIC SERVICE CO. OF OKLA.—$1,500,000 5% cumulative preferred stock (par $100) and $6,600,000 first mortgage bonds, series A 3½% due Feb. 1, 1971. Stock is for exchange of $6 preferred of Southwestern Light & Power Co. (subsidiary) on share for share basis. Bonds will be offered for sale at competitive bidding. Registration effective Jan. 10, 1944. Filed Dec. 21, 1943. Details in "Chronicle," March 16, 1944.

NASD Board Of Governors And The 5% Mark-Up Rule

(Continued from page 2363)

Irving D. Fish, Chairman of NASD District No. 13, which embraces the States of New York, New Jersey and Connecticut.

In this letter, which he addressed to Ralph Chapman, Chairman of the Association's Board of Governors, Mr. Fish stated that District No. 13 "has received numerous questions from its members," the nature of which, judging from the contents of the communication, is that members of this district believe that the 5% mark-up policy does, in fact, constitute a rule and any infraction thereof may automatically result in disciplinary action.

At the direction of the Board of Governors, which met in New York City on June 5 and 6, Chairman Chapman replied to Mr. Fish under the latter date, and declared that the "policy announced by the Board in its letter to District Business Conduct Committees of Oct. 26 and the subsequent letter of Nov. 9, 1943, is not a rule," but was intended as a guide or yardstick in determining the merits of dealer mark-ups. Both the letter sent by Mr. Fish and Mr. Chapman's reply are reprinted below and we understand that copies will be sent at this time to all members in District No. 13 and that they will appear in the next issue of NASD "News," which is sent to members of the Association throughout the country.

Fortunately, due to the "Chronicle" campaign against the 5% rule, it has not been enforced in most districts and the exchange of the above mentioned letters will undoubtedly assure this being the case to a still greater extent. However, this does not alter the fact that the "5% philosophy" does in effect constitute a rule and should therefore be abrogated or rescinded so that members of the NASD may have no qualms about conducting their business in accord with trade custom and usage as had formerly been the case prior to the birth of the "5% philosophy."

Mr. Fish's letter of May 18 and the recent reply thereto by NASD Chairman Ralph Chapman are given herewith:

May 18, 1944

Mr. Ralph Chapman, Chairman,
Board of Governors,
National Association of Securities Dealers, Inc.,
1616 Walnut Street,
Philadelphia 3, Pa.

Dear Mr. Chapman:

District Committee 13 has received numerous questions from its members under the policy outlined in the letters of the Board of Governors of Oct. 25 and Nov. 9, 1943.

Would the Board of Governors advise us whether District Committee 13 is correct in interpreting the policy announced by those letters as constituting a desirable objective or yardstick to be considered by the District Business Conduct Committee in applying the Rules of Fair Practice in the light of the circumstances surrounding the particular transaction under examination?

Very truly yours,
(Signed) Irving D. Fish,
Chairman, District Committee 13

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
1616 Walnut Street, Philadelphia 3, Pa.

June 6, 1944

Mr. Irving D. Fish, Chairman,
District No. 13 Committee,
National Association of Securities Dealers, Inc.
111 Broadway,
New York, N. Y.

Dear Mr. Fish:

Your letter of May 18, 1944, was presented to the Board of Governors at its meeting June 5, 1944.

I was directed by the Board to advise you that you are correct in your understanding that the policy announced by the Board in its letter of Oct. 25, and the subsequent letter of Nov. 9, 1943, is not a rule, but should be considered by District Business Conduct Committees as a desirable objective or yardstick, neither more nor less and be employed by them in the light of the circumstances surrounding eaeh transaction which may be the subject of examination or review under the Rules of Fair Practice.

Very truly yours,
(Signed) Ralph Chapman, Chairman

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"Our Reporter On Governments"

By E. P. TEE

The estimate made by the Federal Reserve Board in its March "Bulletin" that it may be necessary to increase central bank purchases of Governments by as much as $3,000,000,000 in order to keep the market supplied with credit up to the time when the Fifth War Loan starts, seems well on the way to fulfilment. . . .

Government holdings of the 12 Reserve banks on March 1 aggregated $11,624,000,000. . . . These have been increased by over $2,600,000,000, to $14,250,000,000 as of May 31. . . .

Practically all of the securities acquired came from the commercial banks. . . . This is indicated from the drop since March 1 to the latest reporting period of $1,700,000,000 in the holdings of reporting banks in 101 cities. . . . These institutions have about 60% of the nation's commercial banking resources. . . .

The principal factors necessitating such open market activity have been the increase in money in circulation which rose by $1,290,000,000, to above $22,000,000,000 during this period and the loss of gold through foreign earmark which resulted in a $448,000,000 depletion of our stockpile. . . .

The balance of the credit need arose from the transfer of balances in War Loan accounts to private deposits (which must be covered by reserves) as the Treasury drew on its funds to meet the heavy costs of the war. . . .

Treasury bills and certificates accounted for the bulk of the central bank purchases. . . . Holdings of the former rose $2,118,000,000 and certificates advanced $450,000,000. . . . Notes also increased $294,000,000, but bond investments were off $238,000,00. . . .

MARKET ACTIVITY

This over-all picture serves to explain in some measure why we have had limited market activity during recent months. . . . What necessitous selling that the banks were confronted with in order to meet their reserve needs went directly into the central banks via the bill repurchase agreement. . . . Some certificate dealings took place and banks which had a little excess on hand presumably were active buyers of the bond section. . . .

Look for this condition of affairs to change once the Fifth War Loan gets under way next week. . . . It may be only temporary, but it should provide market activity and the opportunity for some turns in the Government list. . . .

As soon as private balances start to swing over to War Loan account (which are free of requirements), and this will happen as individuals and corporations buy the new securities, the excess reserve position will again build up rapidly. . . . Remember, War Loan accounts are down over $11,000,000,000 since the middle of February. . . . They stood under $7,000,000,000 at the start of this week and will be close to $5,000,000,000 when the drive starts. . . . Before the Fifth Loan is over they should go back close to the $18,000,000,000 mark with an attendant large temporary unfreezing of bank credit and surplus of funds for investment. . . .

BANK BUYING DURING DRIVE

The banks have caught on the technique of buying during the drive period as indicated by careful estimates of purchases made in the open market during the four previous campaigns. . . . During the November 1942-February 1943 period it is estimated they bought $2,400,000,000 open market issues in addition to drive subscriptions. . . . For the March-June 1943 period it is estimated they took on $3,000,000,000 on the same basis. . . . In the August-November 1943 period it is estimated they bought $4,000,000,000 and during the January-March 1944 period they acquired $4,500,000,000. . . . Thus it can be seen the amount of bank accumulation during each succeeding drive period has been in larger volume. . . .

There is every reason to expect this trend to continue, with bank purchases before, during and immediately after the Fifth War Loan likely to aggregate as much as $5,000,000,000. . . . The reason for this is that the new basket contains some extremely desirable bank paper, notably the new 1¼% notes and the new 2% bonds of 1954/52. . . . So the banks may buy not only old issues for their particular needs, but engage actively in the indirect purchase of the drive securities. . . .

DEFICIT FINANCING

While we continue to operate under deficit financing, and this may be expected for another year at least, some notable progress has been made in closing the gap between receipts and expenditures. . . .

For example, during the first 11 months of the present fiscal year our gross receipts amounted to $37,700,000,000 compared with $17,700,000,000 in the corresponding period of the 1943 fiscal year. Higher income taxes were the answer. . . .

Our expenditures, which amounted during the same period to approximately $84,000,000,000 against $68,500,000,000 in 1943, resulted in a net deficit of $46,500,000,000 compared with approximately $51,000,000,000 in the preceding fiscal year. Thus, while our outlays have been higher, we have succeeded in cutting the actual deficit by nearly 10%. . . .

Once the invasion of Europe gives indication of ultimate success, it is expected in some quarters that cutbacks in war production will be sharp with a resulting lower monthly Treasury outlay. . . .

FIFTH WAR LOAN

The drive to raise $16,000,000,000 additional war financings, which starts Monday, is apparently organized with greater care and efficiency than any of the previous campaigns. . . . Quotas have been freely employed among the banks and broker-dealer organizations which normally account for about 80% of the total amount raised. . . .

Nevertheless the job will require vigorous techniques to stimulate the individual. . . . The money is around, however, as indicated by the recent Federal Reserve Board survey of deposits which show large gains on the part of individuals. . . . The job is to pry this cash loose, particularly from the free spenders. . . . With the selling experience gained in the preceding campaigns, it is safe to assume that the goal will be reached. . . .

Incidentally, the banks might well publicize more the free time and effort they are giving to make these drives go over. . . . There is a general lack of understanding on this phase of the situation among large sections of the public.

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N. Y. S. E. And Others To Contest Treasury Rule Applying Transfer Tax In Partnership Changes

A recent ruling of the General Counsel of the Treasury, appearing in the Internal Revenue Bulletin, holds that any change in partnership of a firm subjects the new partnership to payment of the stock transfer tax or securities held by it "irrespective of whether the admission of a new partner effects a dissolution of the partnership and the formation of a new partnership." This ruling is based on Sections 1802 (b) and 3481 of the Internal Revenue Code as amended under the terms of the law, and the application of the tax can be made retroactive for a period of four years.

As partnership changes among Stock Exchange firms and security dealers occur with relative frequency, this ruling will involve a serious additional expense to many firms, unless it can be avoided by some device, not contemplated in the law. Avoidance may be had, it is believed, by each firm when a change in partnership occurs, setting up a liquidation account in this way closing out its security holdings in the name of a single partner, acting as an administrator or trustee.

Although the issue has been under discussion between stock brokerage firms and Treasury officials for some time, the ruling came as a surprise, and there is a complaint of insufficient warning given by the Internal Revenue Bureau. Moreover, if the ruling is upheld some firms estimate that they will be required to pay from $10,000 to $240,000 in back taxes, because of the retroactive provisions in the law.

The New York Stock Exchange, together with the Association of Stock Exchange Firms and other security dealers associations, are preparing to contest the new ruling, and will, if necessary, carry their case to the courts. It is contended that Congress merely overlooked the change-in-partnership situation in failing to exempt it from the provisions of Section 1802 (b) of the Revenue Code. It is argued, also, that the Treasury has never applied the income or capital gains taxes, in cases of changes in partnership set-ups. Pressure will undoubtedly be brought to have Congress amend the Revenue Act and thus remedy the situation.

The following is the text of the ruling of the General Counsel of the Treasury covering stock transfer taxes in connection with partnership changes:

"Advice is requested whether the admission of a new partner into the M Partnership effected a change in the ownership of the securities carried on the partnership's books and a transfer of legal title thereto which is subject to stamp tax under Sections 1802 (b) and 3481 of the Internal Revenue Code, as amended.

"Sections 1802 (b) and 3481 of the Code, as amended, impose a stamp tax on the transfer of legal title to shares or certificates of corporate stock and corporate bonds, respectively, with certain exemptions not here applicable.

"The M Partnership has both general and limited partners. In 1942 the partnership agreement was amended to provide for the admission of a new partner. At the time of such amendment the partnership owned certain corporate securities. A new partner was admitted in that year and the question has arisen whether any stamp tax liability was incurred with respect to the partnership securities.

"Irrespective of whether the admission of a new partner effects a dissolution of the partnership and the formation of a new partnership, it is believed that a partnership, either at common law or under the Uniform Limited Partnership Act as adopted in a number of jurisdictions, is not a juristic entity but an association of individuals holding the partnership's property in 'tenancy in partnership'—a form of co-ownership. (See Sections 24, 25, Uniform Limited Partnership Act, and Commissioner's note to subdivision (1) thereunder, 7 U.L.A., 31; Rossmore v. Commissioner C.C.A. 2, 1935), 76 Fed. (2d), 520, Ct.D. 1009, C.B. XIV-2, 278 (1935); Helvering v. Smith (C.C.A 2, 1937), 90 Fed. (2d), 590; Ct. D. 1297 (C. B. 1938-1, 227.) It follows that the transfer of the interests of such joint owners effects a change in ownership of the partnership's securities which constitutes an incident to which the stock transfer tax and bond transfer tax apply. (See Regulations 71 (1941), Sections 113.33 (f) and 113.63.)

"It is held, therefore, that the admission of a new partner into the M Partnership effected a change in the ownership of the securities carried on the partnership's books and a transfer of legal title thereto which is subject to stamp tax under Sections 1802 (b) and 3481 of the Internal Revenue Code, as amended.

"This problem is not a new one. Stock Exchange officials have been discussing it off and on with the Treasury for years and, in recent months, have been endeavoring to argue them out of the stand they now have taken publicly. At one time it was suggested, as a basis for compromise, that the transfer tax be applied to the percentage of change in partnership interest. In other words, if one 2% partner leaves and another 2% partner joins a firm, the tax would be payable only on 2% of the stocks owned by the firm."

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Reg. U. S. Pat. Office

Volume 159 Number 4288

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Price 60 Cents a Copy

The Financial Situation

Among the fallacies imbedded in current talk about "holding the line" as regards wages, the "inflationary gap," prices and the like none is more important or less frequently recognized than the apparent supposition that the danger of inflation is primarily a war problem, that the "inflationary gap" will disappear as we turn our attention once more to the production of peacetime goods instead of instruments of war. Few misconceptions could be more dangerous.

The fact is, of course, that the enormous additions to our money supply will not simply evaporate once operations of the sort which brought them into existence are discontinued. It is furthermore clear enough that many of the plans which are now being made to insure prosperity after the war would without much doubt continue to add largely to the supply of money. As a matter of fact practically any of the conditions which are currently being predicted as our post-war diet would result in just such further increases in bank deposits or currency, or both.

Where Money Comes From?

Readers of the Chronicle hardly need to be told that bank deposits or claims on banks which make increases in currency in circulation possible do not simply spring spontaneously into existence. To all who have followed the course of bank statistics during the past decade it is a familiar fact that the purchases by the banks of government obligations are chiefly responsible for the enormous additions to money supply. In the earlier years of that period large inflow of gold was an important factor but taking the ten years as a whole, addition to the government portfolios

(Continued on page 2396)

Avoid Foreign Investments

Roger W. Babson Says Outright Relief O.K. But Beware Capital Requests

BABSON PARK, MASS.—With Lend-Lease commitments approaching in value $25,000,000,000, it would seem that our financial backing of our Allies in terms of war materials, food and probably in an undisclosed amount of gold is nearing a maximum. Reverse Lend-Lease will provide a small credit against the final sum. The export of armaments may decline from here on; but shipments of food, clothing, building materials and other items for civilian rehabilitation will increase as more territory comes under Allied Government.

Roger W. Babson

Already plans are being formulated for the disposition abroad, after the War, of surplus U. S. motor equipment. Similar plans will be devised for the gift or sale of other war equipment adapted to civilian use. As in the case of France after World War I, nations allied with the U.S.A. in World War II, as well as the smaller countries first to feel Hitler's blows, will profit greatly from our Government's generosity.

Extent of Foreign Relief

I believe we are safe in assuming that U. S. Foreign Relief after the War in terms of adaptable or reconverted war materials, in food, clothing, Red Cross Aid and Government grants, in cash plus loans and credits will reach additional astronomical billions. It may total as much as Lend-Lease does today. Furthermore, as the U. S. will perhaps be the only Allied Nation untouched by the physical damage and misery of the War, we will rightly be expected to bear the major part of the over-seas post-war repair bill.

The first stage of relief will be the feeding and sheltering of the homeless and starving people of Continental Europe. Both present friends and foes may be included in this group. This, however, is quite different from making capital investments abroad. Perhaps some years after the War, when the necessities of rebuilding the entire world's economic structure become more clearly defined. U. S. investors may have a part to play. However, in the immediate post-war period our help should constitute outright gifts or sales of materials at cost. The investment of capital should for the present be avoided.

What About Foreign Capital Investment?

In the course of a lifetime of supervising investing, I have, at

(Continued on page 2402)

Again Heads Welfare Council

Colonel Allan M. Pope, investment banker, was re-elected President of the Welfare Council of New York City, a federation of more than 600 social and health agencies in the five boroughs, at a meeting of the Council's Board of Directors on June 1. In accepting re-nomination, Colonel Pope said:

Allan M. Pope

"I need not stress my sense of privilege in being named once again to head the largest council of social agencies in the United States. Mine would be a hopeless task, however, were it not for the good will and active assistance wnich I have received in the past, and expect to have in the future, from the Board of Directors, the Executive Committee, and the many other units and committees of the Welfare Council."

Alluding to the recently completed reorganization of the Welfare Council, Colonel Pope declared: "The Welfare Council enters its 20th year of service to the community with a newly strengthened structure and with all of its machinery geared for action."

Elected to the newly created post of First Vice-President was Edward K. Warren of Greenwich, Conn., formerly one of the Council's regular Vice-Presidents. Mrs. Mary Childs Draper, President of the Brooklyn Bureau of Charities,

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*These items appeared in our issue of Monday, June 5, on pages indicated.

Regulatory And Anti-Trust Statutes

By JOHN S. BURCHMORE*

Of Walter, Burchmore and Belnap, Chicago

After Analysing Anti-Trust Developments, Mr. Burchmore Concludes That Although Reliance Upon The Executive And Judicial Departments To Deal With Restraints Upon Commerce May Be Questioned, Yet The Regulatory Function "Would Be Impeded Or Defeated By Any 'Bull-In-The-China-Shop' Activities Of Prosecutors, Not Having Direct Responsibility In Matters Of Regulation"

Categorical answer to the question stated in the program "Should regulated transportation be removed from the restrictions of anti-trust laws where acts and policies are approved by regulatory authority?" may depend not only on the personal views or philosophy of the individual answering, if not his business interest. The correct answer of the disinterested student will involve consideration of the very real distinctions between the functions and the activities of the Government and of its servants. There is general interest always in discussions of principles of anti-trust or monopoly laws, as much as in discussions of regulatory problems affecting functions of transportation and there is a very considerable absence of understanding of some of the principal elements developed through the experience of the years.

John S. Burchmore

Rather than attempting to demonstrate the right answer to the question, it may be more enlightening and helpful if I undertake developing some of the main features to be considered. These relate to the administrative and regulatory processes affecting the carriers, to the principles, policies and interpretations of the anti-trust laws and the broad question of preserving the traditional system of "checks and balances" in these functions of our national government.

I.

Federal regulation of interstate transportation began with the enactment of the Act to Regulate Commerce, known as the Cullom Act, approved by Democratic

(Continued on page 2398)

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*An address made by Mr. Burchmore before the Institute of Transportation at the Waldorf-Astoria Hotel, New York City, May 24, 1944.

From Washington Ahead Of The News

By CARLISLE BARGERON

Herbert Hoover, Senator Taft and other Republican leaders who have occasionally undertaken to answer the taunt: "Just what will the Republicans do if elected?" have stressed the need of creating the "proper atmosphere" in which the private enterprise system can provide the necessary post-war employment. This invariably brings loud hoots of derision from the left-wingers as being something vague and indefinite and quite in keeping with reactionary thinking. Those babies insist they want something definitely done, presumably such as creation of a lot of additional alphabetical agencies.

But if you really want to know just what this proper atmosphere means and how important it is, just contemplate a situation which is becoming more and more serious as the need for war production slackens. Because of a tie-up between the New Deal and the CIO it is virtually impossible to slow up on war production notwithstanding the slackening need. With our rulers shouting about a manpower shortage and demanding a national service act, and the manpower administrator now apparently attempting to establish something of the sort by decree, we have the amazing spectacle of made work. It is difficult to see the difference between it and the old WPA and PWA. Instead of raking leaves they are turning out unneeded war material.

Recently, we had the spectacle of the Navy's having no further use for the Brewster plant and the employees refusing to be dismissed. You can readily imagine that the Navy was glad to be rid of the plant because its experience had been anything but happy. Jobs were not wanting for those dismissed. Instead, we are told, hiring representatives of other employers stood around the plant beseeching the workers to take jobs offered them. The CIO's representative, one Frankenstein, came to Washington asking indignantly: "What do they think we are, pup tent workers?" and the orders went out to give Brewster further work to keep these employees from being inconvenienced.

(Continued on page 2403)

It Must Not Be!

"Despite the sad record of experimentation with the spending philosophy over the past two decades, a vociferous group in this country now is advocating that deficit financing be continued in the post-war period."

It holds that "savings accumulate with no adequate outlet, and this in turn leads to stagnation. To overcome this situation, it is contended that the government must absorb the savings of the people by means of taxation and borrowing, and distribute the funds through federal spending channels." . . .

"The program of deficit financing is being put forward as a new democratic capitalism. But its adoption would lead to creeping collectivism or to socialism through the back door. In brief, the American people are being asked to gamble their national security on a single throw of the dice.

"Once committed to this policy, on the heels of a staggering war debt, there would be no turning back and the people would be carried farther and farther away from their cherished ideals and traditions, and away from the things that millions of Americans are fighting for on many battlefronts."
—First National Bank of Boston.

Here is a warning which simply must not be ignored!

The State Of Trade

Important events appeared to move swiftly the past few days but in reality, were precipitated by plans laid well in advance and the culmination of which is now speedily unfolding. On Monday of this week following hard on Pope Pius XII plea that Rome be spared the devastating effects of war, the world witnessed the withdrawal of German forces from the Eternal City and after midnight of the same day, the United Nations' forces had embarked upon the long awaited invasion of the fortress of Europe. At what precise time victory will be attained, the present moment is too early to foretell, but this war has been a war of attrition for the German nation and signs are becoming increasingly evident of the inability of the German people to continue to bear up under the sacrifices and privations that total war involves.

Proof of the overwhelming industrial production of the United States for war could not help but seep thru the most rigid of censorships and the German people and the world must at this time be fully cognizant of our great striking power. It is our fervent hope that this knowledge will have a salutary effect upon the enemy and hasten the final peace. On the domestic front, added emphasis was placed on reconversion problems by the Brewster Aeronautical sit-in strike last week, resulting from a cancellation of contracts for Corsair type planes by the Navy Department and creating an unemployment problem for 4,500 war workers. By July 1, the number involved would total some 11,000 workers following completion of present orders. The suddenness with which this action was taken leaves no doubt that such a procedure must not become a fixed policy of we would soften the impact of this country's transition from war to peace.

The manpower situation, one of our major concerns, cropped up again in the news on Friday of last week. Notwithstanding the increasing supply induced by plant closings and cutbacks and the like, Commissioner McNutt of the WMC concerned over an exodus of workers from war industry to peacetime pursuits, announced new regulations governing manpower and embracing all males above 16½ years. His plan, called a priority referral plan, would place all job changes in the hands of the USES and is expected to accomplish the task of keeping labor where it is most needed. The powers assumed are great and the efficacy of the plan remains to be seen.

Turning to activity in the heavy industries for the past week, it is noted that the changes were slight with electric light output, steel, coal and paper production higher, while modest recessions were the rule for freight car loadings and paperboard output. In the retail trade, vacation buying of seasonal apparel and accessories lifted sales by approximately 10 to 15% above the same week, a year ago. House and garden furnishings, too, enjoyed a fair share of the week's business.

As for electric production, results reveal that output of electricity advanced to approximately 4,291,750 kwh. in the week ended May 27 from 4,245,678,000 kwh. in the preceding week, as reported by the Edison Electric Institute. The latest figures represent a gain of 7.6% over one year ago, when output reached 3,990,040 kwh. Consolidated Edison Co. of New York reports system output of 188,700,000 in the week ended May 28, and compares with 176,800,000 kwh. for the corresponding week of 1943, or an increase of 6.7%.

Demands for steel in the coming months should show a heavy increase, with the invasion of Europe already a reality, making more vigorous production of certain kinds of war equipment necessary. The situation poses a real problem for the industry, according to "Steel" magazine this week, since the mills are now overloaded as a consequence of curtailed working forces and approaching hot weather, which will make all but impossible the long working hours of recent months. Orders for plates, bars and shapes have jumped ahead of output, while committments for hot and cold-rolled sheets are running close to production. Heavy requirements for fourth quarter and succeeding months are being placed for shipbuilding and pontoons. At present orders for plates, shapes, floor plates and fittings totaling 300,000 tons of steel are on the books for pontoons, with an additional 100,000 tons, largely of plates, for the construction of 24 tankers distributed among several eastern mills, the magazine reports. Schedules for freight car production have been set up by WPB for 1944, which will be the equivalent of 85,500 full-sized railroad type cars, including military-type cars and the carryover from 1943. Applying the same standards of measurement the above total compares with 1943 figures of 68,700 units.

To meet essential civilian needs carbon steel allotments have been increased in the third quarter by WPB from 217,000 tons to 240,000 tons. In this connection it was stated that "supply and demand position of basic metals for all military programs are more nearly in balance than at any time since the war started."

With respect to alloy steel production, the market summary noted a decline, April output of 889,051 net tons comprising only 12% of total steel production. For the same month of 1943 alloy steel ran to 1,214,965 tons and was 16.5% of the total. As for pig iron production, the month of April fell short of the all-time March record because of one less working day and a slight drop in average daily output, the summary disclosed. The total for April was 5,243,410 net tons, compared with 5,434,240 tons in March and 5,035,178 tons in April of 1943. The four months cumulative tonnage stood at 21,082,127 tons, compared with 20,326,130 tons in the same period last year.

As for the rate of steel production, the American Iron and Steel Institute places scheduled output for the week beginning June 5, at 97.8% of rated capacity, equivalent to 1,751,900 tons of steel ingots and castings. Scheduled output for the current week compares with operations at the rate of 97.5%, and output of 1,746,500 tons a week ago. For the week beginning June 7, last year, steel output totaled 1,688,400 tons, and the rate was 97.5% of capacity.

With respect to freight carried by the railroads carloadings of revenue freight for the week ended May 27 totaled 869,860 cars, the Association of American Railroads announced. This was a decrease of 1,245 cars, or 0.1% below the preceding week this year, and an increase of 16,077 cars, or 1.9% above the corresponding week of 1943. Compared with a similar period in 1942, an increase of 74,239 cars, or 9.3%, is shown.

A pre-invasion summary of airplane production was reported last week by the Aircraft Production Board which disclosed that the United States has produced 171,257 planes since Pearl Harbor, with the prevailing rate running at two and one-half times the Axis output. Total United States production for 1944 as estimated by Charles E. Wilson, chairman of the Aicraft Board and T. P. Wright, director of the Aircraft Control office was placed at 100,000 planes costing approximately $21,300,000,000, or 31% of total expenditures for munitions this year.

Bituminous coal output for the week ended May 27 reflected an increase of 220,000 net tons from the preceding week at 12,530,000 tons, and a rise of 774,000 tons from a year ago, when production for the comparable week was 11,756,000 tons, as reported by the National Coal Association. Output to date—Jan. 1 through May 27, 1944 — aggregated 260,442,000 tons, as against 247,843,000 tons for a like period in 1943. The report of the Solid Fuels Administration placed production for the week ended May 20 at 12,300,000 net tons, against 12,560,000 tons in the preceding week.

As for production in the anthracite coal fields the U. S. Bureau of Mines reports estimated output of Pennsylvania anthracite at 1,369,000 tons for the week ended May 27, 1944, an increase of 64,000 tons, or 4.9% from the preceeding week. An increase of 23,000 tons, or 1.7%, is noted when compared with output in the corresponding week of 1943. For the calendar year to date, however, an increase of 4.3% is shown over the similar period of 1943.

Paper output for the week ended May 27 was equal to 91.7% of capacity, against 91.6% in the preceding week and 91.8% for the week ended May 29, 1943, the American Paper & Pulp Association's index of mill activity disclosed. As for paperboard, production for the same period was reported at 96% of capacity, against 97% in the preceding week.

Retail trade in New York continued active the past week with demand strong for seasonal apparel and accessories. Estimated department store sales ranged from 15 to 18% above the same week of 1943. The remaining supplies of summer goods were steadily being depleted, while in the wholesale trade, fall buying continued in evidence. With the opening of the fall dress line this week, many buyers are expected to be attracted to the local markets. According to the Federal Reserve Bank's index, sales in New York City for the weekly period to May 27 advanced by 9% over the same period of last year. For the four weeks ending May 27 sales rose by 16%, and for the year to May 27 they improved by 7%, the same percentage of increase as in the previous week.

With the advent of the vacation period, buying of seasonal apparel and accessories lifted retail sales the past week approximately 10 to 15% above the corresponding week last year, Dun & Bradstreet, Inc. reported. The generally higher average selling prices in women's ready-to-wear contributed to an increased dollar volume, the research firm pointed out. A heavy demand was noted for light dresses, blouses, cotton pinafores, summer coats and suits of gabardine, rayon and light weight wool, while retail shoe stores reported an increase in business of about 15 to 20% above last year. Men's clothing and furnishing establishments did well despite shortages of light weight summer suits and some furnishings, with scarcities of merchandise more prevalent among small stores. House and garden items enjoyed a strong demand, but a limited selection hampered sales in some cases. Regional percentage increases as reported by the trade review were; New England, 5 to 10%; East, 8 to 12%; Middle-west, 3 to 7%; Northwest, 7 to 11%; South, 10 to 14%; Southwest, 15 to 18%, and the Pacific Coast, 9 to 13%.

Department stores sales on a country-wide basis, as taken from the Federal Reserve Board's index, moved upward by 11% for the week ended May 27, compared with the same week a year ago, while sales for the four weeks' period ended May 27 advanced by 16% over a similar period a year ago. For the year to May 27 an increase of 7% was noted over a like period in 1943.

Supreme Court Upholds Power Of OPA To Penalize Violators Of Rationing Rules

The Presidential power to issue through the Office of Price Administration suspension orders against business concerns which have violated rationing regulations was upheld by the United States Supreme Court on May 22.

In war times "the national interest cannot wait on individual claims to preference," Justice William O. Douglas stated for a majority of eight, said special advices from Washington, May 22, to the New York "Times," which added:

Justice Owen J. Roberts was the only dissenter.

"The ruling sustained an OPA order requiring L. P. Steuart & Brother, Inc., fuel oil dealers here, to confine fuel oil sales and deliveries to cutomers to whom it sold between Oct. 21, 1941, and Oct. 21, 1942.

"The sole question Justice Douglas explained, was whether the Presidential authority under the Second War Powers Act, to allocate materials, included the right to issue suspension order and withhold rationed materials where violation had occurred.

"Evidence in the Steuart case showed that the concern had obtained large quantities of fuel oil without surrendering ration coupons, and had delivered many thousands of gallon to consumers without receiving coupons. Accordingly the firm was shut off from fuel oil for the year 1944, except to customers between October, 1941, and October, 1942.

In discussing the case Justice Douglas said that middlemen—wholealers and retailers—such as the Steuart firm, could "raise havoc" with the rationing scheme by their violations.

"From the viewpoint of a rationing system a middleman who distributes the product in violation and disregard of the prescribed quotas is an inefficient and wasteful conduit," the Justice asserted. "If the needs of consumers are to be met and the consumer allocations are to be filled, prudence might well dictate the avoidance or discard of such inefficient and unreliable means or distribution of a scarce and vital commodity.

"Certainly we could not say that the President would lack the power under this act to take away from a wasteful factory and route to an efficient one a precious supply of material needed for the manufacture of articles of war. Yet if the President has the power to channel raw materials into the most efficient industrial units and thus save scarce material from wastage it is difficult to see why the same principle is not applicable to the distribution of fuel oil."

"Unconditional Surrender" Opposed By Maynard C. Krueger, Socialist Party Head

Maynard C. Krueger, National Chairman of the Socialist Party, in a keynote speech at the Socialist National Convention in Reading, Pa., on June 2, demanded, according to the Associated Press, a new leftist political alignment in the United States dedicated to an early and lasting "peoples peace" as opposed to "unconditional surrender" or "total victory."

In an account of Mr. Krueger's remarks from Reading, Pa., the same day to the New York "Times" by Clayton Knowles, it was also stated in part:

Mr. Krueger assailed "prolongaton of the war in its present terms as leading away from rather than toward lasting peace." He advanced the Socialist demand for "the earliest possible peace that will last."

"Hunger and hate are growing rapidly throughout Europe," he asserted. "Post-war tensions between the United Nations, united only by military aims, show already through the transparent veil of official courtesy and propaganda.

"No endless repetition of a slogan like 'unconditional surrender' or 'total victory' can hide the well-founded expectation that absolute power of total victory will corrupt the victors.

"We do not want our country to use its armed forces in an impossible attempt to restore Europe as a capitalist system which will not work even here where it has the best chance in the world. We do not want an American Navy used to restore the white man's empires in the Pacific or in Africa. We do not want American soldiers used to keep decrepit monarchs on the tottering thrones of peoples who are entitled to the democratic control of their affairs."

Johnston Tells Russians American Communists Have Been "Wasting Their Time"

Urges Co-operation Between Both Countries Through Visits and Trade

Telling Russian trade leaders that "American Communists have been wasting their time," Eric Johnston, President of the United States Chamber of Commerce, in an address at Moscow on June 4 told the gathering (numbering about 100) that "in economic ideology and practice, my country is different from yours. You are State-minded and collective-minded. We are most private-minded and most individual-minded and, gentlemen, make no mistake—we are determined to remain so and even become more so."

Mr. Johnston while stating that a gulf separated the economies of the United States and Russia, added that bridges of practical cooperation could be thrown across that gulf. It was noted in United Press accounts from Moscow that Mr. Johnston advocated extensive post-war trade and visits between American business and "Soviet capitalists" as one bridge, but said that "each of our countries should be allowed to pursue its own unique economic experiment unimpeded by the other."

On May 15, when Mr. Johnston was about to leave for Russia it was indicated that he planned to inspect Soviet industrial plants and that he was making the trip at the invitation of Premier Stalin. Mr. Johnston was reported as saying that he would seek to determine how Russian post-war trade will affect American business. En route to Russia Mr. Johnston arrived at Cairo, Egypt on May 29, and on June 1 he reached Moscow with W. Averell Harriman, American Ambassador to Russia. On that date the Associated Press Moscow advices said:

"A large delegation of Soviet officials representing the Commissariat of Foreign Trade, the Soviet Chamber of Commerce, the Machine Import Organization and the petroleum industry met Mr. Johnston. It was headed by Vice-Commissar of Foreign Trade Vassily A. Sergeiev, who was a delegate to the United Nations Relief and Rehabilitation Conference last winter in the United States.

Mr. Johnston had joined Mr. Harriman at Teheran and flew to Moscow in the Ambassador's plane."

On the occasion of his address to the Russian trade leaders on June 4, Mr. Johnston was luncheon guest of A. I. Mikoyan, Soviet Foreign Trade Commissar, at Spiridonovka House. At the table sat Soviet trade experts, member of the Soviet Foreign Office, Ambasador Harriman and Soviet military men. Regarding Mr. Johnston's remarks we quote from the Moscow Associated Press accounts, as follows:

"At first the Russian appeared nonplussed by Mr. Johnston's bluntness, but later they burst into gales of mirth at his sallies at American Communists and Marxians.

"I shall try to show you my admiration for your heroic deeds and my gratitude for your hospitable invitation by talking to you from the bottom of my heart, non-politically, and even with frankness," he said.

"You cannot have solid friendship until you have solid understanding. We have a familiar American proverb which says your only true friend is the man who knows all of the worst about you and still likes you. So now I am going to tell you a direct, harsh, tough business fact.

"Gentlemen," Mr. Johnston continued, "there is a point that must be totally clear between us before we can be really cooperative friends. I employ some 2,000 people. They have unions. I have contracts with those unions. I believe in the right of my employes to have unions. Some 13,000,000 Americans now belong to unions. Some 200 of these unions are large enough to be nationally known.

"Not one of them in our current national election is asking voters to favor the primary Socialist principle: 'Common ownership and operation of the means of production and distribution.'

"Gentlemen," he said, "I ask you please to realize how completely our American Communists have been wasting their time. Not long ago an American research institution addressed a question to a large number of people all over the United States. That question was: 'To what social class do you think you belong?'

"Most of the organized wage-earners who were interviewed replied that in their opinion they belong to the middle class.

"So perhaps in a way you cannot blame our American Communists for their failure. If I may put it frankly, how can they make a proletarian revolution among workers who do not even know that they are proletarians?

"Our American Communists have not caught on to this fact; they lack originality and realism. They still follow and imitate what they think is your current policy. If you take pepper, they sneeze. If you have indigestion, they belch. They annoy our trade unions more than they annoy our employers."

"I think," Mr. Johnston said, "that each of our two countries should be allowed to pursue its own unique economic experiment unimpeded by the other.

"Here we stand, we Americans. There you stand, your peoples of the Soviet Union on the other side of the gulf. Let us admit and tolerate the gulf.

"Now let us see what bridges of practical cooperation can be thrown across it.

"The first has to do with fascism. We American business men, since we believe in capitalistic competition, are against fascism. Don't be misled on this point by our American left-wing press. Writers in that press have a way of calling any business man a Fascist if he is stubborn in his dealings with a union. They have a way of calling almost anybody a Fascist if he does not agree with our present National Administration. Flatly, they use the word Fascist wildly."

Mr. Johnston said that American business men were inherently anti-Fascist because they opposed monopolistic cartels, which were the essence of fascism.

"The second bridge," Mr. Johnston said, "has to do with industry. It is our common passion for production.

"At first we American businessmen misunderstood your new Soviet Socialism," he said. "We thought it was merely to distribute whatever wealth was already existing. Now we know that one of your main aims is to increase the total wealth and every year to distribute more."

Reviewing the Soviet Union's great investments in capital goods last year, Mr. Johnston said: "In your own way you have become great capitalists. If you keep on at your present pace you will soon have a larger capital investment in industrial plants than any other country in the Old World.

"Western Europe at one time stood in fear of you Soviet proletarians. Presently, it will stand in awe of you Soviet capitalists.

"Don't call me an exploiter. When I look at you and your insured profit system I feel like a hero."

Mr. Johnston said that economists in the United States, after studying Soviet records, had told him that in the years from 1928 to 1940, Russia had increased her industrial output 650%. "Frankly, gentlemen, that is an unexampled achievement in the industrial history of the whole world. I congratulate you. . . ."

"The third of the bridge is the bridge of export and import trade," he continued. "I am happy to learn that you gentlemen do not regard trade with capitalistic countries as being 'counter-revolutionary.'

"Almost all Americans deeply regret today the difficulties that arose between you and us at the end of the last World War. Few of the old scores, gentlemen, are worth preserving. Let us do two things:

"One, let us resign ourselves to the fact that, certainly for a long time to come, you and we are going to live in two different economic ways. Two, let us visit and trade. Let there be more Soviet business men who know the Mississippi Valley. Let there be more American business men who know the valley of the Volga."

Ambassador Harriman, who has just returned to Russia, had been in the United States since May 6, his visit having been for the purpose of holding conversations with American officials.

Pope Pius Expresses Hope For Early Peace And Honorable Solutions "True And Durable"

Expressing the fervent wish that the grace of God "may cause to break soon over the Eternal City and over the whole world," the dawn of peace, Pope Pius XII on June 1 declared that the idea that the war must end in a complete victory or complete destruction acts as "a stimulant toward prolonging the war." "The conviction of a real or supposed will of the enemy to destroy national life to the very roots, smothers all other reflections and instills into many the courage of desperation," he said. "It is therefore of the greatest importance," continued the Pope, "that this fear should give way to a well-founded expectation of honorable solutions; solutions that are not ephemeral or carry the germs of fresh turmoil and dangers to peace, but are true and durable."

The Pope, whose remarks, in Italian, were addressed on his name day to the College of Cardinals, called on the victors of the war to give hope and faith to the vanquished, and declared that "whoever dared raise a hand against Rome would be guilty of matricide in the eyes of the civilized world and in the eternal judgments of God."

It was noted by the Associated Press that Pope Pius spoke as contending armies surged within sight of Rome.

From an official translation of the Pope's address as received by radio in New York by the Associated Press, we quote the following:

"Would that all those who are counted Christians could understand what an unsurpassed field of action would be open to Christianity at the present moment if, in full unity of faith and purpose, they were to dedicate their activity to saving the human family and preparing it for a better future. One thing that has contributed significantly towards making men open their hearts to the hope of this fair and more peaceful morrow is the fact that, while the instruments of destruction have reached a potency never before known, and while the world finds itself on the eve of still more dramatic and, according to some, decisive events, the discussion of the fundamental outlook and of the detailed guiding principles of the future peace attracts more and more participants; the numbers and the interest of those joining in that discussion grow from hour to hour.

"Yet beside the heralds of wisdom and moderation there are not wanting others who scarcely dissimulate their program of violence or who openly espouse vengeance. While the former follow the suggestion of that Greek leader, of whom we read that he reckoned that victory outstanding in which clemency prevailed over cruelty, the latter, on the contrary, recall vividly the saying of Cicero that victory is essentially insolent and overbearing. In many is thus born the impression or the fear that there may not be, even for the peoples and nations as such, any alternative but this: a complete victory or a complete destruction. When once this sharp dilemma has entered men's minds, its baneful influence is a stimulant toward prolonging the war, even among those who by natural impule or for realistic considerations would be disposed to a reasonable peace. The specter of that alternative, and the conviction of a real or supposed will of the enemy to destroy national life to the very roots, smothers all other reflections and instills into many the courage of desperation. Those who are under the domination of such feelings go on, as in a hypnotic sleep, through abysses of unspeakable sacrifice and constrain others to a war of extermination that drains their lifeblood, a war whose economic, social and spiritual consequences threaten to become the scourge of the age to come.

"It is therefore of the greatest importance that this fear should give way to a well-founded expectation of honorable solutions; solutions that are not ephemeral or carry the germs of fresh turmoil and dangers to peace, but are true and durable; solutions that start from the principle that wars, today, no less than in the past, cannot easily be laid to the account of peoples, as such. You, venerable brethren, know well how, in fulfillment of the serious obligation imposed by our apostolic ministry, we have already on several occasions, in concrete form, outlined the essential fundamentals, according to Christian thought, not only with regard to peaceful relations and international collaboration among men, but also with regard to the internal order of state and peoples.

"Today we limit ourselves to observing that any right solution of the world conflict must take into consideration and treat as quite distinct, two grave and complex questions: the guilt of beginning and prolonging the war on the one hand, and on the other, the kind of peace and its maintenance; it is a distinction which naturally leaves untouched the demands for a just expiation of acts of violence, not really called for by the conduct of the war, committed against persons or things, as well as the guaranties necessary for the defense of right against possible attempts of violence. These two different aspects of the formidable problem have been widely echoed in the conscience of peoples; and in the public declaration of competent authorities has been expressed the resolution and decision to give to the world, at the end of the armed conflict, a peace that all nations can bear.

"We desire and hope that the prolongation of the war, together with the progressive harshening of the methods of warfare and the resulting heightening of tension and exasperation of spirit, do not end by lessening and extinguishing these healthy sentiments and along with them, the readiness to subordinate the instincts of vengeance and anger which is the enemy of counsel, to the majesty of justice and equanimity. In any war where one of the belligerents succeeded only through the power of the sword and other means of irresistible coercion, in reaching a clean and unquestioned victory, it would find itself in the position of being physically able to dictate an inequitable peace imposed by force. But it is certain that nobody, whose conscience is illumined by the principles of true justice, could recognize in such a precarious solution of character of assured and prudent widom.

"Although in the nature of things it may be that the period of transition that runs from the termination of hostilities and the formal conclusion of peace to the attainment of normal social stability is determined, in large part, by the power of the victor over the vanquished, nevertheless wise, and hence moderate, political skill never forgets or fails to give the losing side the hope—we should like to say confidence—that even to their people and its vital necessities a worthy place be prepared and juridically assigned. We should, therefore, wish that governments and peoples should keep before their minds, at least as an ideal at which to aim, the words spoken in compliment to Marcus Claudius Marcellus by the most distinguished orator of ancient Rome: 'To conquer one's self, to curb anger, to spare the vanquished, to raise the fallen enemy —a man who does this I shall not compare with the greatest of men, but will deem as most like to a god.'

"We nourish the hope that all our sons and daughters scattered over the earth may have a lively consciousness of their collective and individual share in the responsibility for the setting up and organization of a public order confirmable to the fundamental exigencies of the human and Christian conscience, being always mindful of the fact that for those who glory in the name of Christian, every peace proposal is always made under the unerring standard: 'To reject all that is hostile to that name, and to promote that which is consonant with it.'

"With the fervent wish that the grace of Almighty God may cause to break soon, over the hills of the Eternal City and over the whole world, the dawn of such a peace, we express to you, venerable brethren, our sincere gratiude for the good wishes so kindly offered us through your eminent vice-dean, while we impart from our heart on you and all those especially dear to you in the Lord, our apostolic benediction."

The Associated Press likewise observed:

"Speaking less than two months after the Patriarch of Russia and the Archbishop of York had repudiated the Pope in his role as Christ's vicar on earth, Pope Pius declared that those who so contended 'are ignoring and misinterpreting the profound meaning of Papal Primacy.'"

Increase In Death Benefit Payments Laid To War

Record life insurance death benefit payments of $115,183,000 in March brought total death benefits for the first quarter of the year to $317,718,000, an increase of 12% over the corresponding period of last year and of 25% as compared with 1942, the Institute of Life Insurance announced on June 2. The increase is attributed in part to the higher mortality of the war period; it also reflects the increase in insurance in force, which has amounted to 11% over the two years. Direct benefits paid living policyholders in the first quarter were 10% greater than a year ago and calls for surrender values were 25% smaller. Aggregate payments to policyholders and beneficiaries were $659,614,000, up $38,274,000 from last year.

The Financial Situation

(Continued from first page)

of the banks is the dominating factor in the situation. During all of the latter part of the decade they were about the only important factor.

Possible wholesale bank failures and destruction of deposits by default aside, it may be said that any reduction in the supply of money must be accomplished by a process which in essence reverses that through which they came into being. That is to say, major retirement of debt by the Treasury, or sale to the non-banking public by the banks of very substantial parts of their holdings of government obligations appears about the only practicable means by which what might be termed the accumulated inflationary gap can be eliminated at any time in the foreseeable future.

Furthermore, the fact is that the banks during the war years have been reducing their loans, particularly consumer loans, and more than likely will be called upon when the war is over to enlarge the volume of loan accommodation to their customers. This is but another way of saying that barring reduction in bond portfolios, the supply of money will increase instead of diminish with the close of hostilities. What would happen if, as is constantly suggested by many, some of whom ought to know much better, large sums are laid out by the Government to stimulate a return to prosperity scarcely needs to be indicated in light of what has already been said. Of course, the banks would be expected to furnish a very substantial part of these funds.

War Bonds

Then there is, of course, the billions of war savings bonds which millions of citizens will own when the war is over, and which are, in part at least at Government suggestion, regarded as funds laid aside for the purchase of houses, automobiles, and what not when the war is over. Who is to provide the Treasury with funds with which to take these bonds up at demand? It does not appear likely that conditions will be such as to encourage private investors into the field. It could be that the end of the war will mark no end of inflation, perhaps not even a marked reduction in the rate at which inflationary funds are being brought into being. But be that as it may, it is clear that the inflationary funds which have come into being during the past decade will still be with us, and that "holding the line" during the war is but a beginning, and quite possibly the easiest part of the longer process of preventing natural law from exerting itself in a normal way—a process, by the way, which is not likely to prove successful indefinitely in any event.

The Other Side

About equally a great a misunderstanding appears to exist concerning the post-war aspects of the other side of the price equation—the volume of goods and services likely to be produced. Concerning this side of the matter several fallacies keep cropping up often in quarters where one would not normally expect them. One of them seems to confuse the difficulties that lie in our path with material prosperity. One would suppose, to hear some of these commentators, that the harder the outlook, the more impediments which need to be removed, the larger the degree of prosperity which will be ours in the post-war era.

If this suggestion appears a little absurd to the reader, let him consider how often he has heard about backlogs of need for this and that cited as an indication of the certainty, or at least the hope, of general and great prosperity after the war. How many houses will be in disrepair, and in need of materials! How many automobiles will have left the road for the junk pile! How generally our roads and streets will need labor and materials! And much more of the same sort. It would appear that in the lack of good things of life, not in their abundance, economic welfare consisted. The extended and very distressing period of unemployment which immediately preceded the war, has without question distorted the economic thinking of a great many of our citizens. It may, of course, be that these deficiencies will insure substantial production for a substantial period after the war, but they as well argue for additional demand from a people who have an excess of money. As regards inflation, their message needs to be reconsidered very carefully.

Another misconception is that involved in supposing that a very large part of the capital equipment and facilities which have been added during the war will find peacetime usefulness at once. Some of it will without much question. Much of it will not—but, fully as much to the point, will afford a great temptation to many to convert many of them into something analogous to the TVA—that is, pour public funds into them until they can be used for peacetime purposes without regard to the economic wisdom of such expenditures, or the effect upon other large sections of the economy.

Still another matter which has not received the attention it deserves is the fact that by and large great sections of our labor forces has gotten out of touch with civilian production. Much of it is now scattered in industries alien to it only a few years ago. Much of it is in the armed forces. All of it has lost something of its productive efficiency. When civilian production is resumed it will almost certainly be found that output per man hour is far below what was considered normal when the war started. We simply cannot assume lightly that production will be exceptionally large when the fighting has ceased.

It would be a good thing if many of these subjects were very carefully reconsidered by many current commentators and public men.

Preservation Of Free Enterprise Essential After War, Poll Of Guaranty Trust Declares

With the winning of the war regarded as paramount to every other consideration; and that American business interests have demonstrated their whole-hearted support of that outstanding principle by a miracle of production and a great contribution to the financing of our war effort, the Guaranty Trust Company of New York at the same time finds that "there is an ever-increasing realization generally throughout the country that we need also give serious thought now to the solution of the tremendous problems that will confront us immediately hositilities cease." This is indicated in May 30 issue of "The Guaranty Survey," the trust company's monthly review of buiness and financial condition, which says that "foremost among them is the revitalization and preservation of the keystone of our economic structure—free enterprise—which has in the last few weeks been sharply emphaized in dramatic manner."

"To obtain a cross-section of opinion regarding this issue from executives in various businesses and sections of the country, the "Survey" asked a number of executives to give their views as to how free enterprise can best be safeguarded. The "Survey" reports:

"The replies to our inquiry indicate that many business men believe that they should become 'vocal,' and the Government policies they consider most dangerous to the future health and usefulness of industry are broad policies that affect business in general. The large majority of replies clearly reflect a desire on the part of the writers to be realistic and constructive, rather than to dwell upon grievances. Wartime restrictions and burdens are accepted as inevitable; and, while there is a unanimous desire to be free of these controls as soon as posible, it is recognized that the readjustment to peacetime conditions will not be easy and canot be achieved overnight.

"There is strong insistence, however, on the fact that revision of public policy must go beyond the mere abolition of war controls if free enterprise is to retain its vitality and make its full contribution to the general welfare in the years to come. Such revision must include reform of tax policy, with special emphasis on the restoration of the incentive to enterprise and risk. It must aim at clarification and rectification of the relations between labor and management. It must seek a reversal of the recent trend toward extension of political power, particularly in the business field. One of its objectives must be the preservation of the resourcefulness and self-reliance of the individual citizen. Underlying these aims, there must be a basic conception of government as the representative and servant of all the people, not the champion of special groups.

"The preponderance of business opinion supports the following views concerning the relaxation and abolition of wartime controls;

1, Some additional materials for civilian supply should be made available at once;

2, The excess profits tax should be abolished promptly at the end of the war;

3, Price control should continue through the reconversion period; and

4, None of the Government's wartime controls should be retained indefinitely."

Further indicating the responses to its inquiry the "Survey" says:

"Perhaps the most significant fact brought out by the answers to our first question, 'What particular Government policies are most dangerous to the future health and usefulness of your industry?', is that the large majority of business men are primarily concerned not with conditions peculiar to their own industries but with those affecting business as a whole. Foremost among these is the fiscal position of the Government, and particularly the outlook for taxes. Anxiety on this score arises partly from the tremendous burden of taxation that business has carried in recent years and will probably have to continue to carry after the war, and partly from the belief that tax policy as it has developed in the last decade or more rests with undue severity on business enterprise and threatens the productivity of our industrial system.

"The principal indictment of Federal tax policy is that it tends to dry up the sources of capital and deaden the incentive to enterprise. . . .

"The replies indicate considerable interest in the proposed Constitutional amendment to limit the taxing power of the Federal Government in time of peace to 25% of income. One says, 'I do not think the free enterprise system is safe unless Constitutional amendment can be passed limiting the power of the Federal Government to levy income and excess profits taxes, except in time of war, to a maximum of 25%. It has been said that the power to tax is the power to destroy, and we have certainly seen the results of this very thing in the last few years.'

"Second in importance to fiscal policy, in the opinion of business men, is labor policy. A considerable number, in fact, put labor policy first. Among these is an executive who says that "the decided prejudice of Government agencies in favor of labor, with apparent disregard of the effects of the policies followed on the economy as a whole, have already infringed materially upon the long-standing prerogatives of management and constitute a serious threat to the revitalization of free enterprise.'

"Almost as serious as the labor problem, in the opinion of business men, is the centralization of power in the Federal Government, and particularly in its administrative bureaus and agencies. 'The most dangerous present-day policy,' according to one executive, 'is that of extending administrative law and powers in the fields of regulation and placing the enforcement of those administrative powers outside the regular courts.' Another believes that 'our major problem lies in the manner in which controls are promulgated and administered. We have so far departed from our traditions that controls are being created and administered by scores of executive agencies having little accountability to the people whose lives and property are affected thereby.' A third heads his list of dangerous policies with 'governmental control of industry by bureaucratic authority rather than by public law.'

"Many correspondents lay primary emphasis on the tendency toward regimentation, or narrowing of the scope of individual initiative. . . .

"Closely related to the centralization of authority and the regimentation of economic life is the drift toward paternalism in the relation between the Government and the citizen, a trend that is vigorously criticized by a number of business men. . . .

"A number of replies indicate a belief that the principal threat to free enterprise lies not in any single policy but in a basically unwholesome and unsympathetic attitude toward business on the part of public administrators. Many executives recognize that responsibility for the revitalization of free enterprise after the war will not rest with government alone but must be shared by industry, labor, agriculture and other groups.

"Replies to the question regarding the timing of the relaxation or discontinuance of Government controls, show a preponderance of opinion to the effect that some materials for civilian supply should be made available at once, that the excess profits tax should be abolished immediately at the end of the war, that price control should be continued through the reconversion period, and that none of the Government's wartime regulations should be retained indefinitely. Among the materials that could be released in large amounts for civilian use, steel and aluminum are especially mentioned. There is no disagreement concerning the desirability and importance of prompt repeal of the excess profits tax after the war."

N. Y. Wool Associates Elect New Officers

The members of the Wool Associates of the New York Cotton Exchange, Inc., on June 5 elected Bernard J. Conlin as President, Albert W. Hilliard as First Vice-President, Lawrence P. Hills as Second Vice-President and Benedetto Lopinto as Treasurer. Mr. Conlin was First Vice-President of the Exchange during the past four years and succeeds Frank J. Knell. Messrs. Hilliard and Hills served as members of the Board of Governors last year. Mr. Lopinto succeeds William J. Jung. The following were elected to the Board of Governors: B. Harrison Cohan, Tinney C. Figgatt, Arthur N. Gorham, Joseph P. Henican, Jr., Marland C. Hobbs, Frank J. Knell, Stanley H. Lawton, Robert J. Murray, Max W. Stoehr, Philip B. Weld and Arthur O. Wellman. James B. Irwin, James C. Royce and William H. Spilger were elected inspectors to serve at the 1945 annual election.

Fiscal Issue Of Nation Of Deepest Concern To All Says First National Bank of Boston

Theory Would Lead to Collectivism or Socialism

"The fiscal issue before us is of no mere academic interest, but is of the deepest concern to all," says the First National Bank of Boston, which observes that "the program of deficit financing is being put forward as a 'new democratic capitalism.' But its adoption would lead to creeping collectivism or to socialism through the back door." In brief says the bank, "the American people are being asked to gamble their national security on a single throw of dice. Once committed to this policy, on the heels of a taggering war debt, there would be no turning back and the people would be carried farther and farther away from their cherished ideals and traditions, and away from the things that millions of Americans are fighting for on many battle fronts."

These assertions by the bank are contained in its "New England Letter," dated May 31, in which it also has the following to say:

"In order to survive, a nation through its leaders must have the capacity to think problems through and visualize the consequences of its policies. Otherwise, there is grave danger in times like these of embarking upon ventures that may lead a nation to ruin.

"The depression of the 1930's was an aftermath of the First World War and the speculative orgy of the 'New Era.' Under the 'New Era' philosophy of the 1920's we were told to spend in order to maintain prosperity. Not only was there a lavish outpouring of credit in this country, but billions of dollars in foreign securities were underwritten to finance reconstruction as well as public works and private industries abroad. A large part of the international loan made was for non-revenue producing purposes, with the result that there was inadequate return on investments to meet interest payments and to amortize principal. Many of these countries became habitual borrowers and adjusted their finances in anticipation of a continued flow of funds from the United States. Consequently, when the insatiable demand of the American stock market sharply curtailed lending abroad, the buying power of foreign countries declined, with a resultant slump in prices, and eventually the entire world was engulfed in a prolonged depression.

"The low point of the depression in world industrial production was reached in the summer of 1932, and somewhat later in the United States. By 1936, before armament program became general, production in most of the principal nations of the world had exceeded that of 1929. Great Britain and Sweden, with balanced budgets throughout most of the period, made the most satisfactory gains, while the United States and France, with huge deficits, trailed far in the rear.

"Why was it that recovery lagged so far behind in the United States? It has been alleged that the concentration of population in the cities and the growing rigidity of our economic system made our recovery from the depression more difficult than in earlier periods. These features, however, have been more characteristic of the older countries of Europe than of the United States. Nevertheless, we find that recovery abroad during the period in question was much more pronounced and sustained than in this country, despite the fact that the increase in our Federal debt during the 1930's exceeded the growth of the national debt of 25 leading foreign countries combined.

"The outstanding obstacles to recovery in this country were the artificially high costs established under the NRA and the fear engendered by the multitudinous unsound plans, including the manipulation of currency, the silver and greenback legislation, and the well-nigh confiscatory taxation, which put a serious brake on risk taking. About 25 billion dollars was expended on pump-priming projects, but the decade closed with about eight million persons unemployed.

"Despite the sad record of experimentation with the spending philosophy over the past two decades, a vociferous group in this country is now advocating that deficit financing be continued in the post-war period, as the nation has reached its industrial maturity. In consequence, it is held that savings accumulate with no adequate outlet, and this in turn leads to stagnation. To overcome this situation, it is contended that the Government must absorb the savings of the people by means of taxation and borrowing, and distribute the funds through Federal spending channels.

"A brief analysis will show that this theory rests upon false premises. In the first place, it is pointed out that the economy is stagnant as evidenced by the decline in the growth of population. The facts are that the peak in our population growth was reached during the decade ended in 1850 when the gain was 36%, while for the decade ended in 1930 it was only one half as much. If this theory were true, there would have been a gradual sagging in our per capita production and wealth. Instead of that, each succeeding decade witnessed a higher level of activity and well-being until the 1930's, when deficit financing was the established Federal policy that temporarily stunted America's growth. Should an increase in population be so essential to economic growth, then countries like Mexico, Puerto Rico and Italy would have been unusually prosperous, while the contrary is true. On the other hand, several of the smaller countries of Europe with practically no population growth have enjoyed remarkably high living standards. The facts are that any decrease in investment opportunities by reason of a declining population can be more than offset by the technological progress that requires an increasing amount of capital per worker.

"The second reason given as evidence of a mature economy is that there are no new frontiers to open up, and in consequence there is a dearth of opportunities for idle money. The historians, however, point out that the last geographical frontier vanished in the 1890's, but that period really marked the beginning of our great industrial advance as it ushered in the technique of mass production on an ever-growing scale. The subsequent decades witnessed the most remarkable progress in the world's history.

"From 1900 to 1929 the population of this country increased by somewhat over 60%, but during this period the nation's wealth increased more than 300%, the number of motor vehicle registrations increased from 8,000 to over 26,000,000, while the number of persons living in wired homes increased from 3,000,000 to 85,000,000. Our progress was so stupendous that by 1929 we accounted for about 40% of the world's wealth, around 60% of the world's telephones, and more than 75% of the world's automobiles. All of these advances took place more than a decade after the disappearance of the last frontier. And yet, because of an incident that occurred forty years previous, we are told that the great creative forces came to a sudden stop in the 1930's. This is clearly a figment of the imagination. The prophets of gloom remind one of the adage: First they create a Goblin and then they are terrified.

"Another bogy brought forward to cast doubt upon the virility of our economy is that there are no important new industries being developed to take the place of such industries as the railroads, electrical appliances, automobiles, and the like. In view of our magnificent technological facilities there is no longer need for dazzling new industries to provide channels for investment, although a number of spectacular developments apparently are in the offing. This is an age of great industrial research which makes progress cumulative. From the dawn of history to about the 17th century there were but few mechanical inventions. As a matter of fact, it required thousands of years to make improvement on some simple device, such as the cutting of flint. But, particularly during the last one hundred years, mechanical devices multiplied because of the cumulative heritage of the fundamental elements that serve as a basis for invention. The amount spent for research is now about twelve times as much as was expended two decades ago, and the bulk of expenditures for this purpose is confined to relatively few industries. The potentialities in this field are virtually limitless.

"Research has received a tremendous impetus under the pressure of wartime requirements, with the consequence that as much progress has taken place during the emergency as would ordinarily occur in a decade or two of peacetime.

"If this country should ever become feeble and decadent, it would be because the medicine men repeatedly told the patient that he had an incurable ailment, and then proceeded to keep him in an oxygen tent and continually provided him with artificial respiration.

Auto Use Tax Stamps On Sale In Post Offices

Commissioner of Internal Revenue Joseph D. Nunan, Jr., announced on May 29 that auto use tax stamps in the denomination of $5 will be placed on sale in all post offices and offices of Collectors of Internal Revenue on Saturday, June 10. The stamps will evidence payment of the tax for the fiscal year beginning July 1, 1944, and must be purchased on or before that date. The stamps will be serially numbered, will be gummed on the face, and will have provision on the back for entry of the make, model, serial number and State license number of the vehicle.

Mr. Nunan said that, to guard against loss or theft, it has been suggested that, when affixing the stamps, the vehicle owner should dampen the windshield rather than the adhesive side of the stamp. This method has been recommended to keep the stamp intact upon the windshield.. As an additional precaution, it has also been suggested that each motor vehicle owner should make a record of the serial number which appears on the use tax stamp in the event the stamp should become lost. The advices from the Internal Revenue Bureau also said:

"Every owner of a motor vehicle which is used upon the highways should call at his local post office or at the office of the Internal Revenue Collector and secure a $5.00 use tax stamp and affix it to his vehicle on or before July 1, 1944, the Commissioner said. The various post offices will sell the stamps over the counter for cash only and no mail order business with respect thereto will be conducted by the post offices. Collectors of Internal Revenue are authorized to accept cash, post office money orders, and certified checks in payment of the use tax stamp. However, as revenue stamps have an intrinsic value, uncertified checks will not be acceptable in payment therefor.

"Sale of the less than $5 denomination use tax stamps in post offices has been discontinued. Such offices will stock the $5 denomination stamps only and motor vehicle owners liable for payment of the use tax for periods of less than a full year must obtain their stamps in lesser denominations from the Collector of Internal Revenue.

"It is the desire of the Bureau of Internal Revenue that the use tax stamp shall be placed on the windshield in a location that will not be in conflict with State requirements." Mr. Nunan cautions motor vehicle owners that failure to purchase and display the new use tax stamps on vehicles using the public highways after July 1, 1944, will subject the violators to severe penalties imposed by law.

Decline In Life Insurance Earning Rate Attributed To Drop In Interest Rate On Securities

The net rate earned on invested policyholder funds by all the United States life insurance companies last year was 3.29%, compared with 3.40% in 1942 and 3.70% five years ago, it was reported on June 2 by the Institute of Life Insurance. This was a new low for the life insurance earning rate, which has tended downward with slight halts for the last 20 years, according to the Institute, which attributed the 1943 decline in net yield to the continued decline in interest rates on securities and mortgages and to the readjustment of life insurance investment portfolios in line with the needs of the war economy.

"During the past year life insurance company holdings of U. S. Government securities, which carry low interest rates, increased from 27% of total assets to 34% of assets as the companies put most of their available dollars into war bonds," the Institute said. "Government securities as a class, cluding State, county, municipal and Canadian bonds, increased from 35% of assets to 41%. At the same time holdings of railroad, public utility and industrial securities decreased from 29% of assets to 27%; real estate mortgage holdings decreased from 18% to 17%; real estate from 5% to 4%, and policy loans from 8% to 6%," the Institute added:

"While the proportion of total assets in these investments showed declines, dollar aggregates were not materially changed, and in the case of business securities actually showed an increase. Average cash balances, which, of course, do not contribute to earnings, were somewhat increased during the year as the companies accumulated funds periodically in preparation for the subscriptions entered in the War Loan drives.

"These portfolio changes, largely in keeping with the necessities of the nation's war economy, have had a material effect on the earning rate of aggregate invested funds. This is shown by the fact that if in 1943 it had been possible for the companies to maintain the same distribution of assets as in 1942, their investment earnings would have been approximately $55,000,000 greater."

The downward trend of earning rates, the Institute points out, has a special interest for policyholders because investment earnings constitute one of the major factors in determining policy costs. As earnings drop, policy costs tend to increase unless the other cost factors offset the loss. Currently, the Institute says the mortality rate, one of the other major cost factors, is showing a tendency to rise moderately under the stress of war. The operating expense rate, another factor in costs, has not changed materially, although some increase in expenses has been occasioned by war conditions. The Institute further said:

"This past year the downward trend of earnings due to lower interest rates and portfolio readjustments was partly offset by the payment of interest in arrears and by increased earnings on real estate held by the companies. Since past due interest has now largely been collected, and since the companies are making rapid progress in disposing of their real estate, the contribution to earnings from these sources is not apt to be recurrent on any important scale. There was also in many companies an appreciable gain from profit realized on the sale or maturity of investment. This gain, however, is not taken into the earnings rate, but rather carried directly to reserves.

"As for the future, most companies indicate that they anticipate possible future declines in the net earnings rate, and the practice of setting up or increasing special reserves to cover this contingency and also to provide for possible mortality increases from war causes has been quite general."

Pope Re-Elected Head Of Welfare Council V.-P. & Ex. Com. Chosen

(Continued from first page)

was newly elected as a Vice-President, and two former Vice-Presidents were re-elected. They are Mrs. Richard J. Bernhard, a member of the New York State Board of Social Welfare, and David T. Leahy, President of the Brooklyn Juvenile Protective Association. Winthrop W. Aldrich, Chairman of the board of Chase National Bank, was re-named Treasurer and George J. Hecht, President of Parents Institute, Secretary. Named as honorary Vice-Presidents were: Charles C. Burlingham, Herbert H. Lehman, George MacDonald and Mrs. Felix M. Warburg.

Election of a new Executive Committee also took place at the meeting. Those chosen were: Mrs. Sidney C. Borg, Bailey B. Burritt, Reverend John J. Donovan, Homer Folks, Walter S. Gifford, Maurice B. Hexter, Arthur Huck, Thomas Keogh, David T. Leahy, George Z. Medalie, Albert G. Milbank, Walter A. Miller, Reverend Edward E. Swanstrom and Mrs. Juan T. Trippe. Colonel Pope and Mr. Warren are ex-officio members.

The newly-chosen Executive Committee, approved appointments by Colonel Pope of two subcommittees to carry on with the process of reorganizing the Council's structure.

Col. Pope, who is President of the First Boston Corp., earned his military commission in 20 years of Army Service. In 1903, he was commissioned a Second Lieutenant in the cavalry after graduation from the United States Military Academy. Col. Pope is Vice-President of the Council of New York University, and Chairman of the University's Planning Committee and Committee on Commerce Divisions. He is a member of the Executive Committee and board of directors of the National War Fund, a member of the Advisory Committee of the Commerce and Industry Division of the War Finance Committee; a trustee of the Silver Hill Foundation; a member of the board of directors and the Post-War Planning Committee of the Commerce and Industry Association of New York City; a member of the board of directors and chairman of the Finance Committee of the Pan-American Society.

Regulatory And Anti-Trust Statutes

(Continued from first page)

President Cleveland, Feb. 4, 1887. This created the first important administrative agency, a 5-man Interstate Commerce Commission. A fairly simple statute in the beginning, undertaking only regulation of interstate transportation by railroads or partly by railroad and partly by water under common arrangement, and which through progressive amendments through the years has become the present Interstate Commerce Act comprehensively regulating railroads, waterlines and highway carriers, even forwarders and brokers.

The passage of the Cullom Bill was responsive to widespread dissatisfaction and protest of evils of discrimination, rebates and unfair practices of the railroads under which favored interests were thriving and the railroads themselves were threatened with self-destruction.

At that time, the railroads of the United States, while of extensive mileage, were not closely knit into a smoothly functioning national system with universal through routes, widespread joint rates, and reasonable uniformity of practices and equality of rates. These benefits developed in the years of progress under Federal regulation.

There were many expressed doubts of the constitutionality of the law and of the powers of the Federal Government to set up an administrative agency for the exercise of legislative functions in determining the freight rates for the future. And there were very grave doubts as to how far Government should interfere with private managements in conducting the railroad business, even though transportation is a semi-public function.

Before this law was passed in *this country*, there had been successive statutes in England and there was extensive regulation or management of railroad and canal transportation in other European countries as well as legislation in Canada. Other nations regarded transportation as a monopoly of the state; they also took measures to encourage competition and to ensure freedom of commerce by railway and by water.

The experiment of Federal regulation of railroads was undertaken by the Congress prior to enactment of any anti-trust statutes and on the whole independently of Congressional consideration of the question of restraints and monopolies. Indeed the evils which produced the act to regulate commerce were the antithesis of monopolies, representing competition run wild, unbridled rivalries, prolific rebates and unrestrained excesses of unregulated competition.

II.

The Sherman Anti-Trust Act came three years later and was approved by Republican President Harrison, July 2, 1890. This in the beginning also was a very simple statute. Unlike the railroad law it has remained unchanged through the years, although it has been supplemented by later legislation, including two especially important laws, the Clayton Act and the Federal Trade Commission Act of 1914.

The meat of the Sherman Act is contained in the opening language of Section 1, which states the entire substantive effect of the Act as a whole, and reads as follows:

> "Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is hereby declared to be illegal:"

There is nothing in the text of the Sherman Act to indicate that it was or was not intended to apply to railroads and other transport companies, the same as to any other branch of commerce or trade. Certainly it was not really *designed* to apply to railroads, for there was nothing of monopoly or restraints in the railroad picture of the late 80's!

It seems clear that the Sherman Act was mainly intended to give formal expression in the Federal statutes to the fundamental principles imbedded in the common law and recognized throughout the States against restraints of commerce such as artificially raise the prices the public pay or are coercive in destroying or impeding free commerce.

> "To preserve from undue restraint the free action of competition in interstate commerce was the purpose which controlled Congress in enacting the Sherman Act, and the courts should construe the law with a view to effecting the object of its enactment.—United States v. Union Pac. R. Co., 226 U. S. 61."

The Sherman Act was purposely broad, general, lacking in details of definitions or procedural or other refinements.

III.

Examination into laws (not simply statutes) against restraints and affecting monopolies obviously is interesting in and of itself and takes one back through the long years to earliest recorded history of commerce, "The Phoenician Merchant, the first pioneer in the monopoly movement." There is a wealth of material and an immense amount of confusion or misunderstanding on the whole question of this phase of freedom of human action and endeavor.

Whether one approaches the study of these questions as one of economics, or social philosophy, of law, there must be recognition that throughout the years enlightened opinion of the common people has been against and is today opposed to any conspirings or manipulations among men or groups of men whereby freedom of commerce is unduly impeded. Cooperation has been recognized as a virtue; monopoly and restraints have not been sanctioned by public opinion.

When listening to discussions of cartels, of questions of regulated competition vs. regulated monopoly, one should be aware of the development of these questions literally through the centuries and of the failures of experiments and the breakdown of laws which have not dealt wisely and effectively with these questions.

For an historical study of these matters and for better understanding of the whole subject, a good authority is "CARTELS AND TRUSTS, Their Origin and Historical Development from the Economic and Legal Aspects," written by Dr. Roman Piotrowski, a Warsaw engineer and social scientist, first published in translation in London, in 1933. In the introductory chapter of some 90 pages, the erudite Doctor traces the recurrent economic crises resulting from periods of overproduction and the various devices tried out as solutions, including *cartels*, picturesquely described as "parachutes used by production to reach terra firma after too lofty a flight." He refers to trusts and cartels as "a common phenomenon encountered in all countries having a developed industry and commerce," and quotes an earlier authority that "organizations essentially the same as modern trusts and cartels have existed for centuries, being, in fact, among the oldest institutions of which history speaks."

We are quoting from a learned writer who is nonetheless quite human, for he concludes a part of his discussion with the observation:

> "This whole hopeless controversy about the essence of the cartels has a depressing effect on the reader."

The laws and workings of monopolies and restraints is a very old subject, of very great differences of opinion among analysts and students searching solution for economic problems.

IV.

Time does not serve to review the decisions of our Supreme Court under the Sherman Act or supplemental anti-trust laws or to undertake to describe the interpretations and enforcements of these laws as generally applied in other than transportation cases.

It is remarkable that most of the decisions have been by a divided court, all too frequently 5 to 4. As illustrative of the Court's broader definitions of the spirit of the Sherman Act, reference may suffice to the opinion of Mr. Chief Justice Hughes (March 1933) in *Appalachian Coals* v. *United States*, 288 U. S. 344.

> "The purpose of the Sherman Anti-Trust Act is to prevent undue restraints of interstate commerce, to maintain its appropriate freedom in the public interest, to afford protection from the subversive or coercive influences of monopolistic endeavor. As a charter of freedom, the Act has a generality and adaptability comparable to that found to be desirable in constitutional provisions. It does not go into detailed definitions which might either work injury to legitimate enterprise or through particularization defeat its purposes by providing loopholes for escape. The restrictions the Act imposes are not mechanical or artificial. Its general phrases, interpreted to attain its fundamental objects, set up the essential standard of reasonableness. They call for vigilance in the detection and frustration of all efforts unduly to restrain the free course of interstate commerce, but they do not seek to establish a mere delusive liberty either by making impossible the normal and fair expansion of that commerce or the adoption of reasonable measures to protect it from injurious and destructive practices and to promote competition upon a sound basis."

It would seem that such doctrines for commerce should be applicable in particular to transportation companies, whether or not this statute itself continues to govern them.

More recently the Court by 5 to 4 vote, the majority speaking through Mr. Justice Douglas, in *United States* v. *Socony-Vacuum Oil Co.*, 310 U. S. 150, seems to have laid down some new law, and at any rate goes to elaborate pains to distinguish the prior decisions in the seven or eight prior leading cases, including the *Standard Oil, America Tobacco, Sugar Institute and Appalachian Coals* cases.

For a better fundamental understanding of the original Sherman Act and the more detailed supplemental legislation, we have the work of the then ex-President William Howard Taft, published in 1914, entitled THE SHERMAN ANTI-TRUST LAW AND THE SUPREME COURT, which emphasizes the importance of legislative adherence to the method of the Sherman Act in confining the law to a broad general platform of principles. On the other hand Gerard C. Henderson in THE FEDERAL TRADE COMMISSION, a Study in Administrative Law and Procedure (1924) speaks for elaboration in the statute, a full complement of definitions and detailed procedures.

V.

When the Act to Regulate Commerce was passed there was no Sherman Anti-Trust law and there was considerable difference of opinion later as to whether Congress did or did not intend that the Sherman Act governing commerce generally should be particularly applicable to regulated railroads, to the extent they were subject to regulation.

The Courts have held squarely that the Sherman Act and the Interstate Commerce Act are separate and independent acts, not germane in character and purpose. Yet there are included in the former many provisions reflecting the basic philosophy of anti-trust laws and nothing in derogation of their broad spirit.

Among the rather numerous decisions in which the Sherman Act has been considered, enforced or applied, there are several important cases dealing with railroads, and from which two conclusions stand out clearly and indisputably:

One is that the railroads are subject to the Sherman Act, or that the terms of the Sherman Act apply to the railroads (and of course to other transport agencies): the other is that for all wrongs for which private parties are afforded a remedy by terms of the Interstate Commerce Act, to that extent the latter Act supersedes the anti-trust laws. Indeed this second proposition, gleaned from Court decisions, is to be supplemented by the observation that both under express terms of the Interstate Commerce Act as it reads today and in supplemental anti-trust laws are express recognitions that in certain particulars the anti-trust laws give way to the Interstate Commerce Act. This is so as to pooling provisions, certain provisions as to consolidations, etc.

VI.

The cases decided under anti-trust laws that have involved transport companies have related to two (among others) important aspects or actions in restraints of commerce:

First, matters of acquisitions, consolidations, controls or amalgamations whereby competition has been lessened by combining competing operations into single units of ownership or control. The famous *Northern Securities Company case*, decided March 14, 1904, 193 U. S. 197; the almost equally famous decision of Dec. 2, 1912, in the *Union Pacific case*, 226 U. S. 61; also the subsequent decision concerning ownership of the Central Pacific Railroad, entitled *United States* v. *Southern Pacific Co.*, 259 U. S. 214, are illustrative. To them may be added reference to the quite recent decision concerning the merger of eight large motor carriers under Associated Transport, Inc., entitled *McLean Trucking Co.* v. *United States*, Vol. 88, Law. ed. Adv. Ops., p. 358, —— U. S. ——.

Second, arrangements, sometimes amounting legally to conspiracies, by which those engaged in transportation have restricted themselves or have endeavored to restrain others by coercive means or pressure, against practices regarded as inimical to the industry as a whole. Decisions of over 40 years ago, in *United States* v. *Trans-Missouri Freight Association*, 166 U. S. 290, and *United States* v. *Joint-Traffic Association*, 171 U. S. 505, will be discussed presently, both relating to railroads. In addition, is the incident of the recent prosecution terminating in acquittal at Denver of a group of motor carriers comprising (I believe) the Middlewest Motor Rate Bureau.

Again, time will not serve for any discussion of the holdings in cases involving mergers and combinations save to point out that the court has flatly condemned railroad mergers as unlawful under the Sherman Act. But these cases were prior to the passage in Transportation Act, 1920, of the specific provisions in Section 5 providing that "it shall be lawful, with the approval and authorization of the Commission" for two or more carriers to consolidate or merge, or for acquisition of control as there defined. This seemingly is full relief from the anti-trust Acts, to the extent specified.

Taking up the second broad category of cases dealing with railroad rate agreements; the first and leading case holding that regulated railroads are subject to the Sherman Act is *United States* v. *Trans-Missouri Freight Association*, 166 U. S. 290, decided March 22, 1897, in a five-to-four opinion.

This case discloses that on March 15, 1889, which was shortly prior to enactment of the Sherman law and somewhat subsequent to the Interstate Commerce Act, the railroads had formed the Trans-Missouri Freight Association ostensibly for their mutual protection by dealing with rates cooperatively and under a form of committee method not now necessary to describe. This decision was long ahead of other decisions wherein the court defined more closely the meaning of the Sherman Act as applied generally, and it was entered at a time when the Commission had very limited jurisdiction as to prescribing freight rates.

The court held in substance:

> "A contract between competing railroads relating to traffic rates for the transportation of articles of commerce between the States, the direct effect of which is to produce a restraint of trade or commerce, is within the provision of the Act of Congress of July 2, 1890, declaring that every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States or with foreign nations, is illegal.
>
> "An agreement between railroad companies 'for the purpose of mutual protection by establishing and maintaining reasonable rates, rules and regulations on all freight traffic, both through and local,' is by its necessary effect an agreement to restrain trade or commerce within the meaning of the Act of Congress of July 2, 1890, no matter what the intent was on the part of those who signed it."

In the following year the Supreme Court decided the second case in this category, *United States* v. *Joint-Traffic Association*, 171 U. S. 505, five Justices joining, three dissenting and one not participating. This decision condemned as unreasonable a rate agreement and association of all the principal railroads in what is now Official Territory. Two paragraphs from the headnotes will suffice to show the effect of the opinion.

> "The right of a railroad company in a joint-traffic association to deviate from the rates prescribed, provided it acts on a resolution of its board of directors and serves a copy thereof on the managers of the association, who, upon its receipt, are required to 'act promptly for the protection of the parties hereto,' does not relieve the association from condemnation as an illegal restraint of competition, as the privilege of deviating from the rates would be exercised upon pain of a war of competition against it by the whole association.
>
> "An agreement of railroad companies which directly and effectually prevents competition is, under the statute, in restraint of trade, notwithstanding the possibility that a restraint of trade might also follow unrestricted competition, which might destroy weaker roads and give the survivor power to raise rates."

Six years later Mr. Justice Brewer, who was one of the majority joining in the foregoing decisions (and without whose vote presumably the cases would have gone the other way) wrote a concurring opinion in the *Northern Securities case*, 193 U. S. 197, at p. 361, which is rather enlightening.

> "First, let me say that while I was with the majority of the court in the decision in *United States* v. *Trans-Missouri Freight Association*, 166 U. S. 290, followed by the cases of *United States* v. *Joint Traffic Association*, 171 U. S. 505; *Addyston Pipe & Steel Co.* v. *United States*, 175 U. S. 211, and *W. W. Montague & Co.* v. *Lowry*, 193 U. S. 38, and while a further examination (which has been induced by the able and exhaustive arguments of counsel in the present case) has not disturbed the conviction that those cases were rightly decided, I think that in some respects the reasons given for the judgments cannot be sustained. Instead of holding that the Anti-Trust Act included all contracts, reasonable or unreasonable, in restraint of interstate trade, the ruling should have been that the contracts there presented were unreasonable restraints of interstate trade, and as such within the scope of the Act. That Act, as appears from its title, was leveled at only 'unlawful restraints and monopolies.' Congress did not intend to reach and destroy those minor contracts in partial restraint of trade which the long course of decisions at common law had affirmed were reasonable and ought to be upheld. The purpose rather was to place a statutory prohibition, with prescribed penalties and remedies, upon those contracts which were in direct restraint of trade, unreasonable, and against public policy. Whenever a departure from common-law rules and definitions is claimed, the purpose to make the departure should be clearly shown. Such a purpose does not appear, and such a departure was not intended."

In the Annual Reports of the Interstate Commerce Commission are two rather significant references to the foregoing court decisions and the matters involved therein:

In its Ninth Annual Report, dated Dec. 1, 1895, the Commission, commenting on the lower court decision in *United States* v. *Trans-Missouri Freight Association*, mentioned that the provisions of the Interstate Commerce Act were in no way involved except as the defendants alleged that in the discharge of their duties under this Act they had found it necessary to associate together and make rules and regulations covering rates and other traffic arrangements. The report proceeds:

> "We have said, in substance, that conformity with the interstate commerce law, whether attained by carriers through individual or concerted action, would prevent disastrous rate wars between carriers, which always injure public interests; would abolish secret discriminations in rates, which invariably result in serious injury to individuals, and would relieve localities from unjust prejudices. We have also said, in substance, that the traffic association which is so formed or conducted as to prevent its members from taking individual action with a view of conforming to the law without the consent of other members in the association and without any penalty or hardship being visited upon it by the other members in consequence of such individual action, might be directly against the public interest."

In its Fifteenth Annual Report to Congress, Jan. 17, 1902, the Commission described certain secret rates, "agreed rates" they were called because adopted by concert of action of carriers; reference was made to the General Freight Association and others; and the Commission said:

> "It is not the business of this Commission to enforce the Anti-Trust Act, and we express no opinion as to the legality of the means adopted by these associations. We simply call attention to the fact that the decision of the United States Supreme Court in the Trans-Missouri case and the Joint Traffic Association case has produced no practical effect upon the railway operations of the country. Such associations, in fact, exist now as they did before those decisions, and with the same general effect. In justice to all parties, we ought probably to add that it is difficult to see how our interstate railways could be operated, with due regard to the interest of the shipper and the railway, without concerted action of the kind afforded through these associations."

Twenty years later, pursuant to Senate Resolution 194, the Commission conducted an extensive investigation into the organization, functions and activities of the Trans-Continental Freight Bureau and rendered its report under date of Feb. 3, 1923, *In re Trans-Continental Freight Bureau*, 77, I.C.C. 252. At page 279 the Commission said:

> "It is manifest that the Trans-Continental Freight Bureau as at present organized and operated serves many useful purposes, promotes economy and efficiency, and is of advantage to shippers as well as to carriers. The need for some organization of this character in the transcontinental traffic field is demonstrated upon the record. The mitigation or cure of such defects and imperfections in the operation of the bureau, as experience has disclosed, or as may develop in the future, should be the object of constant solicitude on the part of those who best know them through their intimate acquaintance with and responsibility for the conduct of its affairs. It is abundantly shown that operation of the bureau tends to obviate or remove the discriminations as between persons and localities which the law condemns."

VII.

In the parallel histories of the development and enforcement of the Interstate Commerce Act and the Sherman Anti-Trust Act are embodied distinctions and limitations which are really of very great importance although not generally recognized by the public.

Railroads and other transport agencies are subject to the general terms of the anti-trust Acts; but this is with certain exemptions and limitations in particular features found in the Federal Trade Commission, Clayton and Robinson-Patman Acts. For example, the provisions of the Clayton Act relating to interlocking directorates of corporations are limited as regards common carriers subject to the Commerce Act; on the other hand, the Clayton Act expressly forbids purchases by common carriers in case of interlocking directorates, excepting under conditions stated. Authority for administration of certain sections of the anti-trust Acts are expressly vested in the Interstate Commerce Commission, to the exclusion of the Federal Trade Commission (U. S. Code, Title 15, Ch. 1, Section 21).

The anti-trust Acts are enforced by the courts through processes of civil and criminal prosecutions under the Department of Justice; and with these matters, even as regards railroads and transport agencies, the Interstate Commerce Commission, Civil Aeronautics Board and Maritime Commission have no connection.

VIII.

We come now to a peculiar limitation in the Interstate Commerce Act, in providing the powers and duties of the Interstate Commerce Commission.

Under Section 13 of that Act, any person suffering injury for carrier violations of this Act may make complaint to the Commission, and after appropriate procedural steps the Commission applies the appropriate remedy (Section 15) by an enforceable order dealing with the rates and practices for the future, extending also to administrative determination of right to reparation for past wrongs.

There is in the Interstate Commerce Act, however, no provision for any complaint to the Commission by any person regarding violations of the anti-trust laws. If, therefore, a group of transportation companies should by conspiracy and coercion violative of the Anti-Trust Act adopt a practice or accomplish a result which is unlawful under the anti-trust law, the Interstate Commerce Commission could do nothing at all in the matter other than by bringing it to the attention of the Department of Justice for appropriate prosecution—criminal or civil.

The Commission has recognized that the railroads are subject to the anti-trust laws, and that it has something to do with their enforcement, but the Commission does not give consideration to the substantive provisions of the Anti-Trust Act in determining any proceedings, its practical activities being limited to violations of the Interstate Commerce Act.

In one of the leading cases, *John W. Keogh* v. *C. & N. W. Ry. Co.*, 260 U. S. 156, the opinion was written by Mr. Justice Brandeis in 1922. And while it was flatly held that a combination of carriers to fix reasonable and non-discriminatory rates may be illegal under the Anti-Trust Act, and that a shipper may suffer damage as a result, nevertheless he may not recover such damages if the rate so fixed has been approved by the Interstate Commerce Commission; that the approval of rates by the Commission establishes that they are reasonable and not discriminatory.

IX

Arising out of these previous decisions, and in current proposals for new legislation, are perhaps two main phases of the answer to the question propounded, at least two phases which are to have most earnest consideration of the Congress and the country in months to come.

First, the matter of integrated transportation, whether the undoubted national policy to date of distinct cleavage between carriers of different types, between surface carriers and the air, between rail lines and water lines and motor lines, etc., etc., shall be preserved, and whether as a matter of principle there shall be substituted, as being in the public interest, cooperation and cohesion of surface and air carriers, for example. This is a question having great consideration also in Great Britain.

The settled national policy, amounting to a tradition, calls for strict separation in ownership and operation of various forms of transport. There are four basic statutory expressions of this policy, found in the Panama Canal Act of 1912, now Section 5(14) of the Interstate Commerce Act: Motor Carrier Act of 1935: Civil Aeronautics Act of 1938 (52 Stat. 1020), and Transportation Act of 1940.

Second, is the very practical matter of rate administration, the functioning of the rate bureaus of railroads, of motor carriers and water and air carriers along the lines with which we are familiar that is to say, whether carrier rate bureaus shall function under express statutory recognition and regulations promulgated by the Commission and whether in so functioning they shall be subject to or free from any inhibitions of the anti-trust laws. There are great differences of opinion and a vast amount of source material on each of these questions, neither of which can be discussed adequately in the limited time.

Extensive hearings were conducted by the Senate Committee on Interstate Commerce in May and June of last year on the Bill S. 942 for regulation of rate bureaus. These hearings have not concluded and the reported proceedings, 1,199 pages of print, contain a vast amount of information bearing on the particular question of exempting carriers from the Anti-Trust Act as regards the procedure of their rate committees and associations.

X.

The student of government knows that the secret of the success of this Republic, a Government of the people for the people and by the people, lies in large measure in the fact that it was set up and has functioned as a *system of checks and balances*. Three branches, the executives the legislative and the judicial, each with its functions, duties, authorities and limitations.

The Interstate Commerce Commission as the first of the administrative agencies, for a short time reported to the Secretary of the Interior, as though it were a bureau of the executive, but unsatisfactory developments shortly resulted in its recognition as purely and truly an agency of the legislative branch and so reporting directly to the Congress, although appointed by the executive.

On frequent occasions through the years, perhaps not frequently enough we sometimes think, the Commission has been checked by the Supreme Court construing the limits on Commission authority or the true interpretation of the law, or legal error, not of its administrative discretion. When deficiencies in the law have developed or the Commission's administration has not been sufficient, Congress has administered the check or stimulus in the form of an amendatory Act. In this system of checks and balances, I venture to say that no one directly interested in transportation, either as a carrier or as a patron, would desire that the functions of considering rates and practices or regulating the detail set-up and activities of the carriers should be transferred in slightest degree from the Commission to the courts, or to executive departments, that is from the legislative to the executive or judicial branches. Nor would anyone want the Congress itself to take over the details of the work of the Commission and perform statutory rate making. This last for the very good reasons that Congress has neither the time nor qualifications for investigation or study, nor independence for action. But the best minds of the Commission itself repeatedly have remarked the wholesomeness of an occasional spanking of the Commission by its parent, the Congress, or admonition by its teachers, the courts. This is a demonstration that checks, restraints and balances are essential and that concentration of power and indeed of functions may be against public interest and indeed against success of the national treatment of transportation.

So it will be seen there is a definite demarcation between the activities under and enforcements of the anti-trust laws and the carrier regulatory statutes. One aspect of the question before us may be whether such distinctions shall be abolished and the whole matter put in one basket by leaving it solely to the judgment, discretion, diligence and general policy of the Commission without check or balance, whether the anti-trust laws shall be invoked or policies applied independently of requirements of the Interstate Commerce Act.

One may seriously question the benefit of such concentration and the loss of basic advantage of reliance upon the executive and judicial departments to deal forcibly with any such conspiracies or connivings or manipulations of men or groups of men as may unreasonably or unduly limit competition or restrain commerce.

Through the years the Commission is not so infallible; it is not so industrious, it is not so equipped to handle the tremendous volume of complex matters affecting all branches of transportation throughout the area of the 48 States that it may be entrusted with *exclusive* treatment of every phase of national law as applied to carriers.

On the other hand, one must concede that in the difficult duty of so administering the regulatory statute that all branches of the national transportation machine shall function smoothly, be well nourished and perform to the public satisfaction, it will not do for proper cooperation to be impeded or defeated by any "bull in the china shop" activities of prosecutors or other branches of government not having any direct responsibility in the matters of regulation.

XI

In past discussion of these general questions will be found a curious and amusing conflict of expressions by two rather militant gentlemen.

In the past four or five years no one has been more prominent than Mr. Thurman Arnold in proposing and initiating prosecutions of carriers—rail and water—under anti-trust laws. In a formal MEMORANDUM FOR THE STAFF OUTLINING OUR TRANSPORTATION PLANS, dated Sept. 28, 1942, as Assistant Attorney General, Mr. Arnold sounded a war cry for vigorous enforcement of the anti-trust laws against carriers. Since becoming a Justice on the Federal Bench he has appeared before the Senate Committee—at its invitation—regarding S. 942 to regulate rate bureaus.

Several years ago, while a Professor at Yale, Mr. Arnold wrote a book, THE FOLKLORE OF CAPITALISM (Yale University Press, 1937). The preface explains that by the title is meant those ideas about social organizations which are not regarded as folklore but accepted as fundamental principles of law and economics.

Author Arnold takes a witty fling at former President Theodore Roosevelt, as a crusader who rode to fame on slogans and adventures in trust busting.

In Chapter IX, entitled "The Effect of the Anti-Trust Laws in Encouraging Large Combinations," Mr. Arnold said:

> "We have seen that the growth of great organizations in America occurred in the face of a religion which officially was dedicated to the preservation of the economic independence of individuals. In such a situation it was inevitable that a ceremony should be evolved which reconciled current mental pictures of what men thought society ought to be with the reality."

And on a later page of the same chapter Mr. Arnold paid his further respects to the anti-trust laws under which he later became the crusader against the carriers:

> "The anti-trust laws became the great myth to prove by an occasional legal ceremony that great industrial organizations should be treated like individuals, and guided by principle and precept back to the old ways of competition and fair practices, as individuals were. This was then and is

(Continued on page 2401)

WLB Orders Ruled Not Subject To Court Review According To District Of Columbia Court

The United States Court of Appeals in the District of Columbia, on June 2, ruled that orders of the War Labor Board are not subject to review by the courts. The unanimous decision was made by Associate Justices Justin Miller, Henry W. Edgerton, who wrote the opinion, and Thurman W. Arnold, according to Associated Press dispatches from Washington on June 2, which also had the following regarding the decision:

In its major decision the Appeals Court held that the President's power to take property to help the war effort did not depend on any action by the Board, and any Board action in notifying the Chief Executive of non-compliance with its orders was "informatory and, at most, advisory."

The tribunal decided therefore that a demand that it annul a Board order amounted "to a demand that we prevent the Board from giving the President advice which appellants (those who made the demand) contend would be erroneous."

"The correctness of administrative advice cannot be reviewed by the courts," the opinion added. "They have neither the necessary authority nor the necessary qualifications for such work."

The court's findings were on an appeal by the Employers Group of Motor Freight Carriers, Inc., and others representing some 300 trucking companies in Boston and throughout New England. The Board had ordered that they give their employees a pay increase of $2.75 per week and pay time-and-one-half for work of more than eight hours daily.

"It is clear and undisputed," the court said, "that no statute authorizes review of the Board's orders.

"The legislative history of the War Labor Disputes Act implies a positive intention that these orders should not be reviewed. Aside from that important and probably conclusive fact, the question is whether general equitable principles authorized review. We think they do not.

"Appellants say in effect that if they do not comply with the order the Board may notify the President of their noncompliance and the President may take possession of their plants and facilities.

"We have no occasion to decide whether in our opinion this is true. In some instances concerns which have failed to comply with Board orders have ultimately been taken over by Presidential orders. In other instances concerns which have not been the subject of any Board order have been taken over by Presidential orders.

"If it be true, as appellants suggest, that the President may ultimately take possession of their plants and facilities, that possibility is irrelevant not only because it is speculative, but also because it is independent of the Board's order.

"Neither the broad constitutional power nor the broad statutory power of the President to take and use property in furtherance of the war effort depends upon any action of the War Board Board. Any action of the Board would be informatory and, 'at most, advisory.'

"Appellants' demand that we annul and enjoin the Board's order therefore amounts to a demand that we prevent the Board from giving the President advice which appellants contend would be erroneous. A court might as well be asked to prevent the Secretary of State or the Attorney General from giving alleged erroneous advice."

As indicated above, the ruling was on an appeal by the employers' group of Motor Freight Carriers, Inc., representing about 300 trucking companies. It is stated that the truckers' group contended that the Board's findings were unlawful and violated executive orders of the President and also asserted that "the industry is confronted with outright failure and dissolution." As to this we quote further from the Associated Press:

Attorney General Biddle's statement stressed the opinion of the Appeals Court that "orders of the War Labor Board are not reviewable," attacked the McCarran Committee's report on the Montgomery Ward dispute and discussed the court's denial of the Government's petition for special appeal in the Ward suit. He said:

"The opinion by Judge Edgerton points out 'it is clear and undisputed that no statute authorizes review of the War Labor Board's order,' that 'the legislative history of the War Labor Disputes Act implies a positive intention that these orders should not be reviewed.'

"The court examines the course of this legislation through the Congress, notes that proposed amendments to authorize court enforcement or review of the Board's orders were rejected and concludes that it was the obvious intention of the Congress that the legislation did not authorize such applications to the courts. The opinion says, 'No one could maintain either judicial or administrative proceedings against the appellants upon the authority of the Board's orders.'

"The decision has peculiar interest in the light of the fact that the McCarran report expressed the view that the Attorney General of the United States was in error in stating that all peaceful and orderly processes for the settlement of the Ward dispute had been exhausted at the time he advised the President of his right to take possession of Montgomery Ward & Co. According to the McCarran report, a lower court decision, clearly overruled by the Circuit Court of Appeals in this case, resolved 'all question of doubt as to whether the War Labor Board had the right to go into a Federal court and ask for a mandatory injunction to compel compliance with an order of the Board.'

"In the light of present decision this assertion of the McCarran report that all doubts have been resolved by one lower court decision in conflict with two other lower court decisions, while an appeal was pending in the Circuit Court of Appeals, now appears a somewhat hazardous judgment to have been made without benefit of hearing the Attorney General.

"The Supreme Court may of course review the issue, but the fact of the matter is that the legislative history leaves little doubt that it was Congress itself which had rejected any suggestion of court review or mandatory enforcement of War Labor Board orders. Congress rejected it because, as the court points out in its opinion, Congress was persuaded that 'for the duration of the war it would be in the best interests of the country to permit the War Labor Board to function as it has in the past 16 months without the right to apply to the court for legal sanctions and without being subject to court review of its decisions.'

"One final point of interest in the decision is the court's answer to the argument that the President might take over the facilities involved in this case if the War Labor Board's order was not complied with. The court said: 'Neither the broad constitutional power nor the broad statutory power of the President to take and use property in furtherance of the war effort depends upon any action of the War Labor Board.' "

A Governmental attorney interpreted the decision as putting the Government in a position to ask dismissal of every action brought against the Board, among them five suits in the Federal District Court here by Montgomery Ward & Co. for injunctions against enforcement of WLB orders.

Iceland Votes To Be Republic Severing Tie With Denmark

Referendum Severs Last Tie With Denmark

According to United Press advices from Washington May 23, the people of Iceland completed on that day a referendum on severance of the last remaining tie which has bound that tiny North Atlantic island to Denmark for 563 years. The advices, as given in the New York "Herald Tribune" of May 24, also had the following to say:

"Iceland, which celebrated the 1,000 anniversary of its Parliament in 1930, has been a sovereign State since 1918, but united with Denmark through a common King, Christian X. The referendum will formally dissolve that union and, on June 17, Iceland plans to proclaim itself a free and independent republic.

"Iceland was an independent republic from 933 to 1263, when it recognized the rule of the King of Norway. In 1381 it came under the rule of the Danish kings, and was acknowledged a sovereign State, united only through the King, on Dec. Dec. 1, 1918. American soldiers have occupied Iceland since July, 1941.

"Americans can be proud of the generous and friendly treatment offered to Iceland," Thor Thors Icelandic Minister to the United States, said in an interview. "It is interesting that we can acquire our complete independence while enjoying the friendly presence of American soldiers. It couldn't have happened if the soldiers had been German." Mr. Thors said the new Republic of Iceland already has been assured recognition by the United States.

Second Truckloadings Decrease Since 1940

Volume of freight transported by motor carriers in April dropped 6.1% from the corresponding month last year, marking the second consecutive year-to-year decrease since September, 1940, according to figures released on June 5, by American Trucking Association, Inc., which made note that the decrease represented a widening of decline from an 0.3% dip as between March of this year and the like month of 1943.

The Association, basing its report on data received from 346 motor carriers in 47 States and the District of Columbia, also said the April tonnage was 7% smaller than in March of this year. The carriers told ATA they handled an aggregate of 2,699,451 tons in April, compared with 2,900,790 in March and 2,875,748 in April, 1943.

As a result of the decreased volume, the ATA index figure, computed on the basis of the average monthly tonnage of the reporting carriers for 1938-40 as representing 100, slid down to 172.12 from a March level of 187.50.

A portion of the decline may have been attributable to unusually sharp recession in New England tonnage. Volume of freight transported in the New England states slumped 15.8% from March and 26.4% from April, 1943. The region was beset with a number of trucking strikes during the month.

Volume of traffic handled by carriers of general freight throughout the country in April fell 7.8% from March and 8.2% from April of last year. Such carriers transported 81% of the total tonnage.

Transportation of petroleum products, accounting for about 10% of the total tonnage reported, showed a decrease of 4.1% in comparison with March but scored a gain of 11.1% over April, 1943.

Carriers of iron and steel products hauled about 4% of the total tonnage and their traffic volume was 0.2% greater than in the preceding month but 7.1% less than in the like month a year previous.

About 4% of the total tonnage consisted of miscellaneous commodities such as tobacco, silk, textile products, coke, bricks, building materials, cement and household goods. Carriers of such traffic experienced a tonnage decrease of 4.2% from March and 1.5% from April, 1943.

Dividend Declared At Annual Meeting Of Bank For Inter-National Settlements

The formal procedure of conducting the annual meeting on May 22 at Basle, Switzerland, of the Bank for International Settlements rested mainly upon Ernst Weber, Chairman of the Board of the Bank, and President of the Swiss National Bank. It was stated in Associated Press advices from Basle, May 22, that while none of the directors was present, Mr. Weber had for company the Executive Officers of the Bank, including Thomas H. McKittrick, an American who is President of the institution, and one of his asssistants, a German named Hechler. Mr. McKittrick's other assistants are a Frenchman, an Italian, a Belgian and a Swede. The same advices stated:

"In addition to Mr. Weber, a Swiss, the Board of Directors is composed of three Germans, including Walter Funk, of the Reichbank; two Japanese, two Romans, one Dutchman, three Frenchmen, one Englishman and one Swede.

"Allied governments thus far have accepted the Bank's avowed policy of neutrality. None of the bank's officials will discuss its future hopes in post-war financing. A number of private bankers, while approving the institution, believe its post-war chances are diminishing because of Allied plans for a huge post-war international exchange financing program.

"Twenty-five nations in all are represented through their respective Federal banks. The United States is the sole unofficial participant. American stock is held by private banks.

"Most notable absentees from today's meeting held in the Savoy Hall, opposite Basle's railway station, were the Belgian director Dr. Alexandre Galopin, whom the Germans recently executed, and Dr. L. J. A. Trip, aged Dutch banker, now living in retirement outside of The Hague."

Noting that Mr. Weber at the meeting on May 22, gravely called himself to order in the austere board room and recorded a dividend of 24.95 gold francs ($5.82) per share, in the presence of the executive officers of the Bank for International Settlements, the Associated Press on that date also had the following to say:

"A March 31 statement ending the fiscal year, on which the dividend was paid, showed bar gold assets of 25.3%, or a total gold holding of 118,272,065 Swiss gold francs, as against 75,136,419 in 1943.

"Deducting gold liabilities, the Bank's own gold holdings jumped from 35,424,889 to 88,720,901 Swiss gold francs. There was a corresponding reduction in bills of acceptances as part of a policy of increasing the liquidity of assets, which now total 467,255,697 gold francs."

On the previous day (May 21) it was stated by the Asociated Press, that:

"All members of the bank—the United States, Great Britain, Germany, France, Belgium, Holland, Sweden, Italy and Japan—will be represented, but by proxy, as they have been since the outbreak of the war in 1939.

"Probably the only Bank in the world which has no vaults, no cash board, and no intricate system of safes and alarms, the B. I. S. was founded in May, 1930, to handle World War I reparations payments, international financial dealings between nations, and to help stabilize the currency of world nations requiring such aid.

"The chairman of the board, Ernst Weber, of Switzerland, will preside over the meeting, formally calling it to order and caring for the business at hand according to parliamentary rules, despite the fact that he will be the only person present.

"About a month ago Mr. Weber mailed or cabled a questionnaire to such international financial powers as the Governor of the Bank of England; the Chairman of the United States Federal Reserve Bank, and the Chairman of Germany's Reichsbank.

"The questionnaire contained points to be voted on at the meeting, such as dividends, future policy and other such questions which continue between nations despite the war.

"Since the beginning of the war, when the various member nations ceased sending personal representatives to the annual meeting, Mr. Weber has held power of attorney covering the national banks of the numerous Allied and Axis nations.

Scatterty Named Pres. Of Cotton Exchange

Next year's officers of the New York Cotton Exchange were announced on June 5 after the annual election of the Exchange, with John H. Scatterty, of the firm of Scatterty & Jones, succeeding Eric Alliott as President. William H. Koar, Vice-President and Manager of the New York office of Anderson, Clayton & Co., and President of the Export Insurance Co. of New York, was elected Vice-President, with Benedetto Lopinto, a partner in the firm of Bond, McEnany & Co., voted Treasurer by the Exchange members.

The following were elected to the Board of Managers of the Exchange: Eric Alliot, New York Cotton Exchange; Frank G. Brown, Ernst Cohn & Co.; Milton S. Erlanger, B. V. D. Co.; J. Henry Fellers, Merrill, Lynch, Pierce, Fenner & Beane; Tinney C. Figgatt, Edward A. Hillmuth, Robert Moore & Co.; James A. Kiernan, Thomson & McKinnon; Frank J. Knell, New York Cotton Exchange; Jerome Lewine, H. Hentz & Co.; Robert J. Murray, Weil Brothers; Arthur J. Pertsch, New York Cotton Exchange, and Chas. B. Vose, Harriss & Vose.

Three out-of-town members of the Exchange were elected to the Board of Managers, including: J. Robert Lindsay, J. Robert Lindsay & Co., Greenville, S. C.; William F. Neale, Wm. F. Neale & Co., Dallas, Texas, and Thomas J. White, T. J. White & Co., Memphis, Tenn.

Mr. Scatterty, formerly a resident of Columbus, Miss., started in the cotton business in 1920 as office boy and sample room clerk with the firm of H. & C. Newman, Inc., New Orleans, La. He entered the cotton futures business in 1922 with the firm of E. B. Norman Co., advancing to the position of Manager of their New York office at the age of 21. Last year he was Vice-President of the Exchange and previous to that was a member of the Board of Managers.

Regulatory And Anti-Trust Statutes

(Continued from page 2399)

today, the principal utility of that massive moral philosophy known as anti-trust legislation."

Needless to say, in his day, Col. Theodore Roosevelt while President is regarded as entitled to credit for passage of the Hepburn Act of 1906 reviving the somewhat moribund Interstate Commerce Commission and for waiving the Big Stick against trusts. Somewhat surprising is the testimony of his annual message to Congress, in December, 1908, when he said:

"I believe that it is worse than folly to attempt to prohibit all combinations, as is done by the Sherman anti-trust law, because such a law can be enforced only imperfectly and unequally, and its enforcement works almost as much hardship as good. . . .

"The railways of the country should be put completely under the Interstate Commerce Commission and removed from the domain of the anti-trust law. The power of the Commission should be made thoroughgoing, so that it could exercise complete supervision and control over the issue of securities as well as over the raising and lowering of rates. As regards rates, at least, this power should be summary. The power to investigate the financial operations and accounts of the railways has been one of the most valuable features in recent legislation. Power to make combinations and traffic agreements should be explicitly conferred upon the railroads, the permission of the Commission being first gained and the combination or agreement being published in all its details. In the interest of the public the representatives of the public should have complete power to see that the railroads do their duty by the public, and as a matter of course this power should also be exercised so as to see that no injustice is done to the railroads."

Without paying too great heed to these general expressions of two men of brilliance and forceful dispositions, a testimonial by the late Commissioner Joseph B. Eastman should be noticed. In a letter dated May 3, 1939, addressed to Mr. Thurman Arnold, Mr. Eastman wrote:

"As I understond your informal inquiry, the only question remaining is: Should the railroads by statutory enactment be relieved from the commission of those wrongs that might be construed to violate the Sherman Act, but for which, under the terms of the Interstate Commerce Act, those injured are left without remedy.

"This raises a question of broad public policy. Upon consideration the Commission was of the opinion that the railroads should not in such situations be relieved from the application of the Sherman Act, or any other similar statute, unless and until a remedy for wrongs that might ensue is afforded under the terms of the Interstate Commerce Act. Take, as an illustration, the matter which I understand has been brought to your attention, namely, the edict of the Association of American Railroads practically forbidding its members from participating in joint rates with motor carriers. The Commission now has no authority to require joint rates to be established by railroads and motor carriers. If the edict in question is a violation of the Sherman Act, the Commission does not believe that the railroads should be relieved from the penalties for such a violation, unless and until it is given authority to require such joint rates to be established to the extent that the public interest may demand.

"As a further illustration, the Commission has consistently advocated cooperation between the various railroads in such matters as the improvement of their services, the elimination of duplication, waste, etc. The Interstate Commerce Act now provides that when the Commission authorizes the pooling by railroads of traffic or revenue or the unification of their properties, to the extent permitted by the Act, such action shall bar the application of the anti-trust Acts or other Federal or State prohibitory statutes. The Commission is now urging legislation which would extend its powers to authorize, and even to require, pooling or coordination of facilities. In the event of such legislation, action by the Commission should also bar the application of the anti-trust statutes. We believe, however, that the railroads should not be so relieved until the Commission is given jurisdiction over such matters."

XII.

Speaking from many years of personal experience in connection with regulation of transportation, and after some research into these questions, I offer personal testimony that there have been occasional incidents (not habitual) of coercive actions and agreements among railroads, among motor carriers and among water lines, which have certainly transgressed the principles of the common law and of the Sherman Act. The considerable volume of matters developed by the representatives of the Department of Justice in the recent hearings before the Senate Committee on S. 942 show certain occurrences highly suggestive of unlawful restraints, against the fair interest of shippers.

Insofar as the Interstate Commence Act, or other regulatory statutes, may provide definite rules or specific procedures, with appropriate remedies, manifestly carriers acting in good faith within the terms and scope of such provisions and of orders and regulations of the Commission thereunder should be relieved from prosecutions or penalties under the anti-trust Acts. But the safeguards of such exceptions should be set up specifically in the regulatory Act rather than by any amendment of the anti-trust laws.

All things considered, public interest requires that regulated carriers shall be regarded as fully subject to the fundamental doctrines of the anti-trust laws which have been evolved through the centures, meaning the application of principles of common fairness against conspiracies and coercions amounting to or are productive of unreasonable restraints on freedom of commerce as broadly defined by the Supreme Court, and as very broadly reflected in the Sherman Act.

The enforcement of such fundamentals involves no matter of administrative discretion or legislative judgment and should be left to the orderly processes of the courts upon informations and complaints of the Department of Justice. Thus will be afforded a check against inactivity or mistakes of the regulatory agencies, which in the practical sense could not possibly police all of the practices throughout the country.

Traffic associations, rate bureaus, and the established rate procedures of carriers should be encouraged and sanctioned. In any legislation providing for them, the interest of their patrons and of the public demands that there shall not be stated any exemption from the basic principles of anti-trust laws; and language simply stating exemption from the Sherman Act might be misconstrued as expressive of approval of the legality of agreements operating in restraint of fair competition.

Sproul Of Reserve Bank Discusses Goal Of Fifth War Loan Drive

Allan Sproul, President of the Federal Reserve Bank of New York, in a circular under date of May 19 to the banking institutions in the New York Reserve District, points out that "the objective of the Fifth War Loan Drive is to raise $16,000,000,000 through the sale of Government securities to invsetors other than banking institutions accepting demand deposits." "Of this amount," he says, "the quota for sale to individuals is $6,000,000,000. The drive will run from June 12, through July 8, 1944, but all subscriptions for Savings Bonds and Savings Notes processed by the Federal Reserve Banks or the Treasury Department from June 1, through July 31, 1944, will be credited to the drive." Mr. Sproul further says:

"The goals for sales to all classes of investors and for sales to individuals have been increased substantially over those set for the Fourth War Loan Drive; the national quota for sales to individuals in the Fifth War Loan exceeds by $700,000,000 the actual amount of sales to such investors in the previous drive. The establishment of higher goals and the increased emphasis on sales to individuals call for greater efforts on the part of everyone connected with the drive. The banking system, which has been responsible in large measure for the success of earlier war loan drives, will be in a position to continue its effective assistance in soliciting and facilitating the entry of subscriptions for customers."

General information for banking institutions respecting the drive is also presented in a circular by Mr. Sproul, who says in part:

"As in the case of the Fourth War Loan Drive, dealers and brokers in securities are requested to limit the amount of their subscriptions, in the drive, to the amount of securities which they will be able to retail to customers, other than commercial banks, for investment after the drive has closed, plus the amount required for the investment of their own funds to the extent these are, and are expected to continue to be, idle. Generally speaking, the volume of purchases for subsequent resale to customers should be small regardless of the size of the investment firm, as most customers will have ample opportunity to subscribe during the drive.

Purchase of Securities for Resale

"It is the Treasury's aim to obtain during the drive the maximum investment of funds of individuals and other nonbank investors, and to avoid unnecessary redistribution of securities in the Government security market following the close of the drive. Persons other than security dealers and brokers are advised, therefore, that the practice of entering subscriptions for such securities with the intention of selling them during the period immediately following the close of the drive is not consistent with the Treasury's objectives."

Wiggins Says Banks To Enlarge Credit Service

"Never before have the bankers been confronted with a responsibility and an opportunity so challenging as is the use to which they will put the vast deposit structure of this nation," according to A. L. M. Wiggins, President of the American Bankers Association, in addressing the war-time conference of the bankers of the State of Washington at Spokane on June 2, he asked "shall these great resources lie largely dormant or will they become energized through constructive credit to multiply production, provide employment, and lift the standards of living of the American people?"

"Of course," said Mr. Wiggins, "the primary responsibility for the use of these deposits lies with the individual owners. This money belongs to them and it is theirs to invest in the equities which represent faith in the future of America." He went on to say:

"There exists today the largest sum of money available in our history for venture capital, for the risk taking that is characteristic of our enterprise system. Only the fear of the future will retard them — the fear of centralized Government, the fear of the continuation of an uneconomic tax system, the fear of the disappearance of opportunities for the successful employment of capital. We must banish these fears by means of a wholesome change in Government policy that will release the springs of action, that will multiply incentive, that will guarantee a fair distribution of the fruits of capital and management and labor.

"The banks of the country not only are willing and able but are anxious to supplement the venture capital of individuals through supplying all credit requirements of soundly conducted business. This they have always done. In the year immediately preceding the war they handled more than 27 million loan transactions aggregating more than $42 billion, and they will have greater lending power when the war is over. The banks are preparing further to supplement the credit stream through the provisions of term loans to industry in whatever amount may be needed and to make such funds available in every town and hamlet of the nation, regardless of local credit resources. They are ready in mind and purpose as well as in resources to meet the credit needs of small business and large business as well. All credit has as its base a faith in the future. The bankers of America believe in America and its future and are ready to play their part in expanding a peace-time economy that will be needed to answer the demands for enlarged production and full employment."

Non-Farm Mortgages Up In First Quarter

Despite wartime restrictions on new construction, the upward trend in non-farm residential financing which began a year ago continued through the first three months of 1944, the Federal Home Loan Bank Administration reported on May 6. The announcement stated:

"Recordings of non-farm mortgages for that period totaled $980,000,000, a rise of 37% over the first quarter of 1943, the report said. The increase is largely attributed to loans to finance the purchase of existing homes.

"March recordings, amounting to $368,000,000, exceeded all figures for that month since such data were first compiled in 1939. All types of lenders were represented in the seasonal increase of 19% for March over February. 'Individuals' led with a gain of 23%, followed by mutual savings banks of 21%.

"Comparing the first quarter of 1944 with the corresponding period of last year, individuals also showed the greatest gain, 46%. Increases for other lenders ranged from 44% for savings and loan associations to 3% for insurance companies.

"The estimates are based on recordings of mortgages of $20,000 or less. The number and amount of recordings for the first quarter of 1944, by type of lender, are as follows:

	Number	Amount	Per Cent
Savings and loan associations	102,041	$312,802,000	32%
Insurance companies	12,424	61,998,000	6
Banks and trust companies	55,046	193,096,000	20
Mutual savings banks	7,524	30,280,000	3
Individuals	95,060	233,982,000	24
Other mortgagees	38,048	147,675,000	15
Totals	310,143	$979,833,000	100%

"During the first quarter of this year the volume of non-farm foreclosures in the United States maintained the decline which began a decade ago, according to figures released May 6 by the Federal Home Loan Bank Administration. Foreclosures for the period are estimated at 4,766, a drop of 34% from the first three months of 1943. The foreclosure index for March was 12.7% (1935-1939 average equals 100)."

Almost Complete Withdrawal From War Risk Insurance By War Shipping Administration

Pursuant to a policy inaugurated last November, the War Shipping Administration announced on May 25 almost complete withdrawal from the cargo war risk insurance field. Under latest revision of its insurance activities more than 96% of cargo war risk insurance will return to commercial underwriters, WSA estimated. The WSA announcement added:

The WSA open cargo policy, which has been available since August 1, 1942, in the future will cover only a few designated commodities and in certain instances named commodities on designated voyages only. These are imported coffee, raw or green; cocoa or cacao beans shipped by water from South American ports; cresylic acid, chrome ore, and manganese ore, shipped by water from ports in India or Ceylon.

WSA said its program of further withdrawal from the war risk insurance field has been brought about by changed international conditions and is in accordance with the intent of Congress that WSA insure cargoes only when coverage cannot be obtained on reasonable terms and conditions from private companies. Rates of private underwriters now are identical with those of WSA except in a few instances.

Accordingly, the open cargo policy now will be restricted to those commodities considered of strategic importance both to the war effort and the domestic economy.

The WSA points out that restrictions imposed by the new "clause paramount" incorporated in its new Supplement 5 to General Order 6, do not otherwise change the terms of or enlarge the geographical scope of policies as now written which cover any one or several of the the six commodities named.

It is further stated that on its facultative risks, the WSA will follow the principle laid down in its open cargo policies and, accordingly, will cease covering risks other than those falling within the scope of the open cargo policy at the end of a 30-day period, regardless of other factors such as letter of credit requirements.

Steel Production Slightly Higher—Invasion Expected To Increase War Steel Deliveries

"The start of the long expected invasion of Western Europe this week is expected to increase the pressure for early deliveries of strategic steel to a tempo not seen since the war began," the "Iron Age" says in its issue of today (June 8), further adding: "The psychological effect of the actual beginning of the new fronts will probably be strong enough to furnish impetus to surmount, to some extent, production difficulties caused by manpower shortages, strikes, equipment wear and bad product mix.

"However, the invasion has come at a time when the steel industry is in its best position productionwise and capacitywise to insure the most rapid output possible of ship steel, shell steel, and all other types needed to support the new as well as old battle theaters.

"The steel industry this week is on the verge of entering a period which will see an unusual output of shell steel, increases in lend-lease steel shipments, jammed-up schedules of wide strip and plate mills to take care of ship plates, car plates, sheets for shell containers and other packaging, more tubes for increased bomb programs, and a host of other needs which will be needed to support the new fronts in Europe. That there will be no let-up in the effort to see that all these items get the right of way is a foregone conclusion and any talk of civilian needs being filled to any extent will have disappeared, if any had been in the picture.

"The unusual number of 'quickie' or outlaw strikes which have spread to various parts of the steel and allied industries may subside now that it is clear that even a small strike may tie up the urgent material needed for the second front.

"Reports from some centers this past week indicated a continuation in the reduction in the volume of steel order cancellations. In some instances, the cancellations are running as much as 75% below those encountered in the first quarter. Coincident with this situation has been a fairly steady flow of new bookings. While orders are off slightly in some areas during the past week, declines were not significant. The manpower pinch is being felt at some steel company plants to an extent which tends to cut into production. Consequently, the combination of a stable order flow and such factors as manpower shortage have tended to keep steel backlogs substantially unchanged."

The American Iron and Steel Institute on June 5 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 97.8% of capacity for the week beginning June 5, compared with 97.5% one week ago, 99.4% one month ago and 97.5% one year ago. The operating rate for the week beginning June 5 is equivalent to 1,751,900 tons of steel ingots and castings, compared to 1,746,500 tons one week ago, 1,780,500 tons one month ago, and 1,688,400 tons one year ago.

"Steel" of Cleveland, in its summary of the iron and steel markets, on June 5 stated in part as follows: "Far from easing, requirements for steel to go into war material are due to increase heavily in the next six months, according to plans by the War Production Board, about 10% greater production being needed.

"This addition to already heavy schedules poses a problem for mills, which already are overloaded in the face of limited working forces and approach of the heated term, when the long working hours of recent months will be all but impossible.

"Orders for plates, bars and shapes are in excess of production, with buying of hot and cold-rolled sheets about keeping pace with output. Following the period during which the 10% increase is scheduled, further heavy requirements are being place for fourth quarter and succeeding months, for shipbuilding and pontoons.

"Schedules have been formulated by WPB for freight car production, which for 1944 will be the equivalent of 85,500 full-size railroad type cars, including military-type cars and the carryover from 1943. This compares with the 1943 total of 68,700 units on the same basis of measurement. Plans for 1945 production are for a somewhat smaller number. The board has widened the gap from schedule approval to delivery to seven months, to assure shops complete supply of components.

"Carbon steel allotments for essential civilian goods in third quarter have been increased by WPB to 240,000 tons, from 217,000 tons. Accompanying the announcement was a statement that supply and demand position of basic metals for all military programs are more nearly in balance than at any time since the war started.

"Proportion of alloy steel production is declining, April output of 889,051 net tons being less than 12% of total steel production, while in April last year alloy steel accounted for 1,214,965 tons, 16.5% of the total. About two-thirds of the April tonnage was from open-hearth and the remainder from electric furnaces.

"Pig iron production in April failed to reach the all-time record of March, because of one less working day and a slight dip in average daily output. April output totaled 5,243,410 net tons, compared with 5,434,240 tons in March and 5,035,178 tons in April, 1943. For four months cumulative tonnage was 21,082,127 tons, compared with 20,326,130 tons in the comparable period last year."

Avoid Foreign Investment: Babson

(Continued from First Page)

one time or another, seen my clients own all kinds of foreign securities. These have consisted principally of governments, municipal and utility bonds. I have also seen them own foreign railroad and mining stocks. They have ranged far afield to Germany, Russia, Japan, Mexico, and the Latin-American countries. As I look back over these experiences, I doubt if they ever netted a dime out of their foreign holdings. Hence, I have concluded it is far better to have readers' funds invested in this country where at least the investor can visit the physical properties and get acquainted with the management and—in case of trouble—have the benefit of U. S. Courts.

Air transportation, the acquaintance of millions of service men and women with foreign customs and places, inter-marriages and the handing out of millions of U. S. consumer products will tend to break down the barriers of race, language and religion. But for many years I am afraid that Uncle Sam may be looked upon as a Santa Claus or as a senile old man who foolishly risks his money abroad but who will be too proud or too feeble to insist upon an adequate return for his support.

Some Suggested Steps

Our Government and our people should not become hipped on the idea that we should become the outstanding leaders in world affairs. Destiny has called us to play a deciive part in World War II, but we should not consider it as a permanent job. Washington has had a lot of New Deal experience with out-and-out relief; but Washington knows nothing about the investment of capital. Such foreign investments should now be resisted as we would resist the plague.

It further is entirely possible that after 1949 we may have some years of severe depression which will require all of our resources to overcome. As Congress is now fast draining our own industries of working capital, they will soon require all of our accumulated savings. U. S. unemployment and the fulfillment of civilian requirements will also require vast amounts of money. Hence, I trust that a little Yankee common sense may prevail and that we may not entirely expend our heritage! One thing more: **Example is much more potent than precept. In the long run we can do the world the most good by putting our own accounts in order. This will not be a selfish thing for us to do, but it will be for the good of the entire world to see one nation run honestly, intelligently and efficiently with justice for all and favoritism to none.**

NAM Reviews & Analyzes Tax Simplification Law

The "NAM News" of May 25, weekly news organ of the National Association of Manufacturers, carries as a special supplement a comprehensive review and analysis of the tax simplification law. This informative section was intended mainly to aid the more than 11,000 members of the Association in setting up new tax-withholding machinery. Floyd E. Williamson, Director of Association's Public Relation's, may be approached with regard to the Tax Supplement.

The Supplement calls attention to some of the principal features of the law as follows:

1. New withholding provisions to go into effect Jan. 1, 1945.
2. Other changes in law apply to 1944 income tax.
3. Most employee's tax to be withheld at source.
4. An estimated 30,000,000 taxpayers will file by new simplified procedure.
5. Family exemptions eliminated—exemptions now $500 per capita.
6. Taxpayer automatically allowed deduction of 10% of gross income if filing under simplified plan.
7. Medical expense allowance slightly reduced.
8. Victory tax is repealed.
9. Normal tax decreased from 6% to 3%.
10. Surtax rates increased to offset Victory Tax repeal and lowered normal rate.
11. Requirements on estimated tax declarations liberalized.
12. Treasury states overall total tax slightly reduced.

Syndicate Of Security Dealers And Brokers Formed To Sell War Bonds In 5th War Loan

The largest syndicate of security dealers and brokers ever formed in New York was organized on June 2 to sell the record sum of $600,000,000 or more of United States Government securities to be offered in the Fifth War Loan Drive, June 12 to July 8, 1944, which has as its goal for the entire country the sale of $16,000,000,000 of such securities.

Some 466 security dealers and brokers will form the selling group, it was announced by Sumner B. Emerson of Morgan Stanley & Co., Harry H. Egly of Dillon, Read & Co., W. Fenton Johnston of Smith, Barney & Co. and Lee M. Linbert of Blyth & Co., Inc., who form the syndicate committee managing the offering.

In forming the syndicate, a participation both in dollars of total sales and in number of subscriptions to be obtained has been allotted to each of the dealers. In fact, the syndicate letter received by members of the group on June 2 states that if the Committee has underestimated a member's distributing ability, "he may have the novel experience of asking for a larger participation and getting it." Total efforts of the members of the syndicate are expected to exceed the figure of $600,000,000.

The syndicate letter further pointed out that the Committee was acting at the request of the Banking and Investment Division of the War Finance Committee for New York, of which William R. White is Director, in order to stimulate the sale of war bonds by making the greatest use of the abilities of the dealers, all of whom are members of the bank-dealer teams of the division.

Continued Rise In Assets And Deposits Of National Banks

The total assets of national banks on April 13 of this year amounted to more than $66,000,000,000, it was announced on May 29 by Comptroller of the Currency Preston Delano. Returns from the call covered the 5,048 active national banks in the United States and possessions. The assets reported, says the announcement, were greater by nearly $2,000,000,000 than those reported by the 5,046 national banks on Dec. 31, 1943, the date of the previous call, and an increase of more than $7,000,000,000 over the amount reported by the 5,036 active banks on June 30, 1943. The Comptroller's announcement further states:

The deposits of the national banks on April 13, 1944,, were $61,800,000,000, an increase since Dec. 31, 1943, of $1,600,000,000, and an increase since June 30, 1943, of $7,000,000,000. Included in the current deposit figures are demand and time deposits of individuals, partnerships and corporations of $33,500,000,000 and $10,500,000,000, respectively, U. S. Government deposits, including War Loan and Series E Bond accounts, of $7,200,000,000, deposits of States and political subdivisions of $3,000,000,000, postal savings of $6,000,000, deposits of banks of $7,000,000,000, and certified and cashiers' checks, cash letters of credit and travelers' checks outstanding of $600,000,000.

Loans and discounts were $10,000,000,000, a decrease of nearly $200,000,000 since Dec., 1943, but an increase of more than $700,000,000 since June, 1943.

Investments in U. S. Government securities, direct and guaranteed, of $36,700,000,000 showed an increase of $2,500,000,000, or over 7% since December, 1943, and an increase of $6,500,000,000, or nearly 22%, since June, 1943. Other bonds, stocks and securities held of $3,400,000,000, which included obligations of States and political subdivisions of $2,000,000,000, increased $100,000,000 since December, but decreased approximately the same amount since June last year.

Cash of $900,000,000, balances with other banks, excluding reciprocal balances, of $6,300,000,000, and reserves with Federal Reserve banks of $8,200,000,000, a total of $15,400,000,000, decreased $700,000,000 since December, but showed an increase of $200,000,000 over the amount reported in June last year.

The unimpaired capital stock of the banks on April 13, 1944, was $1,548,000,000, including $119,000,000 of preferred stock. Surplus of $1,629,000,000, undivided profits of $613,000,000, and reserves of $276,000,000, a total of $2,518,000,000, increased $90,000,000 since December and $191,000,000 since last June.

The percentage of loans and discounts to total deposits on April 13, 1944, was 16.10, in comparison with 16.85 on Dec. 31, 1943, and 16.78 on June 30, 1943.

Peru, Ecuador Accept Boundary Settlement

An agreement by Peru and Ecuador to accept in full the recommendations of the United States, Brazil and Argentina for the settlement of their border disputes was revealed on May 20, according to wireless advices from Rio de Janeiro that day to the New York "Times," which also had the following to say:

"The recommendations were contained in a protocol signed during the conference of American Foreign Ministers here two years ago.

"In messages today to Presidents Carlos Arroyo del Rio of Ecuador and Manuel Prado y Urarteche of Peru, President Getulio Vargas of Brazil suggested that the two Governments exchange notes to confirm the agreement as soon as possible, thereby 'giving a formal and definite character to the accord.'

"The Associated Press said an authoritative source declared the two countries had accepted boundary for four frontier sections as proposed by Brazilian Foreign Minister Dr. Oswaldo Aranha and had agreed to accept demarcation of the two remaining disputed sections as designated by a neutral to be named by the two countries.

"President Vargas suggested that the two Governments name the Brazilian technician, Braz Dias de Aguiar, as the final arbiter."

Messages of congratulation from President Roosevelt were addressed to Presidents Prado of Peru and Arroyo of Ecuador, on May 20, incident to the prospect of early settlement of their border disputes. In Washington advices May 20 to the New York "Times" it was noted:

"In 1941 the United States joined with Brazil and Argentina in offers for mediation of the disputed boundary line. Ecuador and Peru accepted the mediation offers and the protocol for settlement was finally drawn up at the Rio de Janeiro conference two years ago."

The identical messages addressed by President Roosevelt to the Chief Executives of the two nations on May 20 read as follows:

"I have learned with deep satisfaction that Your Excellency's Government, through the good offices of the eminent Foreign Minister of Brazil, Dr. Oswaldo Aranha, has reached agreement on interpretation of the Protocal of Peace, Friendship and Boundaries, signed by Ecuador and Peru on Jan. 29, 1942, at Rio de Janeiro.

"I hope that confirmation of this agreement may be speedily effected by exchange of notes in order to permit the distinguished Brazilian technical expert, Capt. Braz de Aguiar, to complete his inspection of the eastern sector of the boundary on the ground, and thus facilitate completion of the demarcation of all sectors of the boundary as soon as possible.

"I heartily congratulate Your Excellency on reaching this agreement, which I regard as an outstanding contribution to inter-American solidarity and good-will."

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table:

MOODY'S BOND PRICES†
(Based on Average Yields)

1944— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings*				Corporate by Groups*		
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus.
June 6	119.90	112.19	118.40	116.80	111.81	102.46	105.86	113.70	117.20
5	119.92	112.19	118.40	116.80	111.81	102.63	106.04	113.70	117.00
3	120.02	112.19	118.40	116.61	111.81	102.63	105.86	113.70	117.00
2	119.99	112.19	118.60	116.80	111.81	102.46	105.86	113.89	117.00
1	119.75	112.19	118.40	116.80	111.81	102.46	105.86	113.70	117.00
May 31	119.69	112.19	118.60	116.80	111.81	102.46	105.86	113.89	117.00
30	Exchange Closed								
29	119.67	112.19	118.40	116.80	111.81	102.46	105.86	113.89	117.00
27	119.66	112.19	118.60	116.80	111.81	102.46	105.86	113.89	117.20
26	119.66	112.19	118.40	116.80	111.81	102.30	105.86	113.89	117.00
25	119.63	112.19	118.60	116.80	111.81	102.46	105.86	113.89	117.20
24	119.63	112.19	118.40	116.80	112.00	102.30	105.86	113.89	117.00
23	119.60	112.19	118.60	116.80	111.81	102.30	105.86	113.89	117.00
22	119.60	112.00	118.60	116.80	111.81	102.13	105.86	113.89	117.00
20	119.59	112.19	118.60	116.80	111.81	102.30	105.86	113.89	117.00
19	119.59	112.00	118.60	116.80	111.81	102.13	105.86	113.89	116.80
18	119.57	112.00	118.60	116.80	111.81	101.97	105.69	113.89	116.80
17	119.51	112.00	118.60	116.80	111.81	101.80	105.86	113.70	116.80
16	119.48	112.00	118.40	116.80	111.81	101.80	105.69	113.89	116.61
15	119.48	112.00	118.40	116.80	111.81	101.80	105.69	113.89	116.61
13	119.48	111.81	118.40	116.80	111.62	101.80	105.52	113.89	116.80
12	119.48	112.00	118.60	116.80	111.81	101.64	105.52	113.89	116.80
11	119.51	111.81	118.60	116.61	111.81	101.64	105.69	113.70	117.00
10	119.51	111.81	118.40	116.61	111.81	101.64	105.69	113.70	116.80
9	119.58	111.81	118.60	116.61	111.62	101.80	105.69	113.70	116.61
8	119.52	111.81	118.40	116.80	111.62	101.64	105.52	113.70	116.61
6	119.48	111.81	119.40	116.80	111.62	101.47	105.52	113.70	116.41
5	119.48	111.81	118.40	116.61	111.62	101.47	105.52	113.70	116.41
4	119.48	111.81	118.40	116.61	111.62	101.47	105.52	113.70	116.41
3	119.51	111.62	118.20	116.61	111.62	101.47	105.34	113.70	116.22
2	119.47	111.62	118.20	116.61	111.62	101.47	105.34	113.70	116.22
1	119.34	111.62	118.40	116.41	111.62	101.31	105.34	113.70	116.41
Apr. 28	119.35	111.81	118.40	116.61	111.62	101.47	105.34	113.70	116.41
21	119.75	111.62	118.40	116.41	111.62	101.31	105.17	113.70	116.41
14	119.86	111.62	118.20	116.61	111.44	101.14	105.17	113.70	116.41
6	119.81	111.44	118.20	116.61	111.44	100.98	104.83	113.89	116.22
Mar. 31	119.68	111.44	118.20	116.41	111.25	100.81	104.66	113.70	116.22
24	119.86	111.44	118.20	116.61	111.44	100.81	104.66	113.89	116.41
17	120.14	111.44	118.20	116.61	111.25	100.65	104.66	113.70	116.41
10	120.26	111.44	118.20	116.41	111.25	100.81	104.48	113.70	116.41
3	120.44	111.25	118.20	116.61	111.25	100.49	104.31	113.70	116.41
Feb. 25	120.21	111.25	118.20	116.41	111.07	100.32	104.31	113.50	116.22
18	119.96	111.25	118.40	116.41	111.07	100.49	104.31	113.50	116.41
11	119.69	111.25	118.40	116.22	111.25	100.49	104.31	113.50	116.41
4	119.45	111.25	118.40	116.22	111.25	100.49	104.14	113.50	116.61
Jan. 28	119.47	111.07	118.20	116.22	111.07	100.16	104.14	113.31	116.41
21	119.58	111.25	118.40	116.41	111.07	100.16	104.31	113.31	116.41
14	119.57	111.25	118.60	116.41	111.25	99.84	104.14	113.50	116.41
7	119.69	111.07	118.60	116.41	111.07	99.36	103.80	113.50	116.22
High 1944	120.44	112.19	118.80	116.80	112.00	102.46	106.04	113.89	117.20
Low 1944	119.34	110.70	118.20	116.22	110.88	99.04	103.30	113.12	116.02
High 1943	120.87	111.44	119.41	117.00	111.81	99.36	103.47	114.27	117.40
Low 1943	116.85	107.44	116.80	113.89	108.88	92.35	97.16	111.81	114.46
1 Year Ago June 5, 1943	119.93	110.34	118.40	116.02	111.07	97.78	102.30	113.50	116.02
2 Years Ago June 6, 1942	118.38	106.21	115.82	112.93	107.27	91.34	95.77	110.70	113.31

MOODY'S BOND YIELD AVERAGES
(Based on Individual Closing Prices)

1944— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings*				Corporate by Groups*		
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus.
June 6	1.82	3.05	2.73	2.81	3.07	3.60	3.40	2.97	2.79
5	1.82	3.05	2.73	2.81	3.07	3.59	3.39	2.97	2.80
3	1.81	3.05	2.73	2.82	3.07	3.59	3.40	2.97	2.80
2	1.81	3.05	2.72	2.81	3.07	3.60	3.40	2.96	2.80
1	1.83	3.05	2.73	2.81	3.07	3.60	3.40	2.97	2.80
May 31	1.83	3.05	2.72	2.81	3.07	3.60	3.40	2.96	2.80
30	Exchange Closed								
29	1.83	3.05	2.73	2.81	3.07	3.60	3.40	2.96	2.80
27	1.84	3.05	2.72	2.81	3.07	3.60	3.40	2.96	2.79
26	1.84	3.05	2.73	2.81	3.07	3.61	3.40	2.96	2.80
25	1.84	3.05	2.72	2.81	3.07	3.60	3.40	2.96	2.79
24	1.84	3.05	2.73	2.81	3.06	3.61	3.40	2.96	2.80
23	1.84	3.05	2.72	2.81	3.07	3.61	3.40	2.96	2.80
22	1.84	3.06	2.72	2.81	3.07	3.62	3.40	2.96	2.80
20	1.84	3.05	2.72	2.81	3.07	3.61	3.40	2.96	2.80
19	1.84	3.06	2.72	2.81	3.07	3.62	3.40	2.96	2.81
18	1.84	3.06	2.72	2.81	3.07	3.63	3.41	2.96	2.81
17	1.85	3.06	2.72	2.81	3.07	3.64	3.40	2.97	2.81
16	1.85	3.06	2.73	2.81	3.07	3.64	3.41	2.96	2.82
15	1.85	3.06	2.73	2.81	3.07	3.64	3.41	2.96	2.82
13	1.85	3.07	2.73	2.81	3.08	3.64	3.42	2.96	2.81
12	1.85	3.06	2.72	2.81	3.07	3.65	3.42	2.96	2.81
11	1.85	3.07	2.72	2.82	3.07	3.65	3.41	2.97	2.80
10	1.85	3.07	2.73	2.82	3.07	3.65	3.41	2.97	2.81
9	1.84	3.07	2.72	2.82	3.08	3.64	3.41	2.97	2.82
8	1.85	3.07	2.73	2.81	3.08	3.65	3.42	2.97	2.82
6	1.85	3.07	2.73	2.81	3.08	3.66	3.42	2.97	2.83
5	1.85	3.07	2.73	2.82	3.08	3.66	3.42	2.97	2.83
4	1.85	3.07	2.73	2.82	3.08	3.66	3.42	2.97	2.83
3	1.85	3.08	2.74	2.82	3.08	3.66	3.43	2.97	2.84
2	1.85	3.08	2.74	2.82	3.08	3.66	3.43	2.97	2.84
1	1.86	3.08	2.73	2.83	3.08	3.67	3.43	2.97	2.83
Apr. 28	1.86	3.07	2.73	2.82	3.08	3.66	3.43	2.97	2.83
21	1.83	3.08	2.73	2.83	3.08	3.67	3.44	2.97	2.83
14	1.82	3.08	2.74	2.82	3.09	3.68	3.44	2.97	2.83
6	1.83	3.09	2.74	2.82	3.09	3.69	3.46	2.96	2.84
Mar. 31	1.83	3.09	2.74	2.83	3.10	3.70	3.47	2.97	2.84
24	1.82	3.09	2.74	2.82	3.09	3.70	3.47	2.96	2.83
17	1.80	3.09	2.74	2.82	3.10	3.71	3.47	2.97	2.83
10	1.81	3.09	2.74	2.83	3.10	3.70	3.48	2.97	2.83
3	1.80	3.10	2.74	2.82	3.10	3.72	3.49	2.97	2.83
Feb. 25	1.81	3.10	2.74	2.83	3.11	3.73	3.49	2.98	2.84
18	1.83	3.10	2.73	2.83	3.11	3.72	3.49	2.98	2.83
11	1.85	3.10	2.73	2.84	3.10	3.72	3.49	2.98	2.83
4	1.87	3.10	2.73	2.84	3.10	3.72	3.50	2.98	2.82
Jan. 28	1.87	3.11	2.74	2.84	3.11	3.74	3.50	2.99	2.83
21	1.86	3.10	2.73	2.83	3.11	3.74	3.49	2.99	2.83
14	1.86	3.10	2.72	2.83	3.10	3.76	3.50	2.98	2.83
7	1.85	3.11	2.72	2.83	3.11	3.79	3.52	2.98	2.84
High 1944	1.87	3.13	2.74	2.84	3.12	3.81	3.55	3.00	2.85
Low 1944	1.79	3.05	2.71	2.81	3.06	3.60	3.39	2.96	2.79
High 1943	2.08	3.31	2.81	2.96	3.23	4.25	3.93	3.07	2.93
Low 1943	1.79	3.09	2.68	2.80	3.07	3.79	3.54	2.94	2.78
1 Year Ago June 5, 1943	1.87	3.15	2.73	2.85	3.11	3.89	3.61	2.98	2.85
2 Years Ago June 6, 1942	1.94	3.38	2.86	3.01	3.32	4.32	4.02	3.13	2.99

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

†The latest complete list of bonds used in computing these indexes was published in the issue of Jan. 14, 1943, page 202.

From Washington Ahead Of The News

(Continued from first page)

It occurred to us at the time that we had heard of several other cases of this kind, other instances in which there was no further need for war production in a particular plant and the union leaders set up such a howl that it was kept in war production nevertheless. So we went around making some inquiries in quarters having to deal with the situation and learned that indignation is at a fever heat. There are all sorts of instances in which high cost producers are being kept at war work when the military and other war production officials have sought to get rid of them. Invariably these producers employ CIO unionists. The indications are quite plain that in these instances the employers and the CIO are in cahoots. There are instances where high cost producers employ A. F. of L. unionists but in every one of which we are aware the production is needed. In every single instance of a plant continuing to receive war orders after the Military has ruled no more were needed, the union involved is the CIO; that is, so far as the plants listed to us.

This is a rotten enough situation to exist in war, of course, but perhaps more important is its bearing on the "proper atmosphere" of the post-war period. It is quite apparent that the CIO policy is going to be to keep its workers right where they are, not have them shift to other pursuits or move to other places in the general readjustment that must follow. If that sort of "proper atmosphere" is to prevail it is utterly nonsense to think we can recover any sort of balance. It should be kept in mind that every one of the Brewster workers and those of the other plants being kept at war work when their war work is not needed, is being assessed to reelect Mr. Roosevelt to a Fourth Term. They have no say-so in the matter. The money is taken out of their pay envelopes, upon orders of the WLB, by the employer. For the purposes of the Fourth Term campaign you can readily see how important it is that they be kept at their present employment. Changing plants they might fall into the A. F. of L. Also, the CIO has been turning heaven and earth to register them in their present communities to vote.

As further bearing upon this crowd's conception of the post-war "proper atmosphere" and the one that will likely prevail if they aren't headed off, is their steady propaganda about the disposal of the Government's huge plant and surplus materials holdings. You have only to take a glance at it to realize that under their agitation it would be utterly impossible to dispose of this property in a way that private enterprise could remain afloat. They would make it utterly impossible for private enterprise to acquire the property, either by demanding impossible prices or by imposing impossible restrictions for the protection of the so-called common man. In the exactions they demand the Government would hold onto its huge plant structure, operate it, and, of necessity, gradually add to its investment.

Just now, the crowd is expressing indignation in its literature against W. L. Clayton's being the surplus goods administrator. An example of it is the lament of Aubrey Williams, former NYA administrator. Now he is with the Farmers' Union, a skeleton Fourth Term organization, financed by CIO funds. Writing a column in its official paper, he says:

"They (the reactionaries) have apparently been able to sell the President (God forbid!) the Baruch-Hancock Demobilization scheme, which in the hands of Will Clayton, one of the most notorious 'cotton buyers' of the South, will mean that the billions of dollars now invested in war production, and owned by the Government, will go for two cents on the dollar, and none of it to any friend of the people."

His apprehensions about Clayton's administering any program if Mr. Roosevelt is reelected are unwarranted. Nobody knows better than Clayton that he was put in as a political stop-gap. Furthermore, the President has never yet embraced the Baruch report. He considered it at the time as a good political document, presumably because it is being publicly accepted as the official Administration plan.

National Fertilizer Association Commodity Price Index Advances

As a result of substantial increases in the prices of farm products, the weekly wholesale commodity price index, compiled by The National Fertilizer Association and made public on June 5, advanced to 137.0 in the week ending June 3 from 136.8 in the preceding week. A month ago this index registered 137.1 and a year ago 135.9, based on the 1935-1939 average as 100. The Association's report continued as follows:

Pronounced price increases in the farm products group was the primary cause of a fractional advance in the all-commodity price index. After declining for three consecutive weeks, the price of rye took a slight turn upward which caused a slight increase in the grains index number. There was quite a marked rise in the livestock group as higher prices were quoted for cattle, calves, hogs, and lambs while live fowls was the only item to decline in this group. The foods group also advanced fractionally as higher prices for flour were more than sufficient to offset lower prices for oranges. The farm machinery index number registered a fractional advance. The textiles group was the only other index number to change. This increased fractionally as slightly higher prices were quoted for raw cotton.

During the week 11 price series advanced while only 2 declined; in the preceding week there were 2 advances and 7 declines; and in the second preceding week there were 7 advances and 5 declines.

WEEKLY WHOLESALE COMMODITY PRICE INDEX
Compiled by The National Fertilizer Association
1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week Jun. 3, 1944	Preceding Week May 27, 1944	Month Ago May 6, 1944	Year Ago Jun. 5. 1943
25.3	Foods	137.5	137.4	138.8	141.1
	Fats and Oils	143.0	143.0	146.1	147.9
	Cottonseed Oil	156.7	156.7	159.6	159.0
23.0	Farm Products	155.1	154.4	155.8	153.3
	Cotton	202.0	201.0	198.9	201.8
	Grains	164.7	164.6	164.9	142.3
	Livestock	144.0	143.1	145.8	147.4
17.3	Fuels	130.1	130.1	130.1	122.8
10.8	Miscellaneous commodities	132.2	132.2	132.2	130.1
8.2	Textiles	152.4	152.3	152.0	151.4
7.1	Metals	104.4	104.4	104.4	104.4
6.1	Building materials	153.4	153.4	152.4	152.6
1.3	Chemicals and drugs	127.7	127.7	127.7	126.6
.3	Fertilizer materials	117.7	117.7	117.7	117.7
.3	Fertilizers	119.7	119.7	119.7	119.8
.3	Farm machinery	104.4	104.3	104.3	104.1
100.0	All groups combined	137.0	136.8	137.1	135.9

*Indexes on 1926-1928 base were: June 3, 1944, 106.7; May 27, 106.6, and June 5, 1943, 105.9.

Electric Output For Week Ended June 3, 1944 Shows 5.6% Gain Over Same Week Last Year

The Edison Electric Institute, in its current weekly report, estimated that the production of electricity by the electric light and power industry of the United States for the week ended June 3, 1944, was approximately 4,144,490,000 kwh., compared with 3,925,893,000 kwh. in the corresponding week a year ago, an increase of 5.6%. The output for the week ended May 27, 1944, was 7.6% in excess of the similar period of 1943.

PERCENTAGE INCREASE OVER PREVIOUS YEAR

Major Geographical Divisions—	Week Ended— June 3	May 27	May 20	May 13
New England	*1.2	2.7	*0.8	0.7
Middle Atlantic	*0.2	5.1	3.6	4.0
Central Industrial	4.4	7.2	4.9	5.5
West Central	5.7	8.2	7.4	4.4
Southern States	10.4	9.4	9.3	7.4
Rocky Mountain	*11.2	*8.2	*9.7	*9.4
Pacific Coast	16.0	14.5	15.2	19.8
Total United States	5.6	7.6	6.3	6.8

*Decrease under similar week in 1943.

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1944	1943	% Change over 1943	1942	1932	1929
March 4	4,464,686	3,946,630	+13.1	3,392,121	1,538,452	1,702,570
March 11	4,425,630	3,944,679	+12.2	3,357,444	1,537,747	1,687,229
March 18	4,400,246	3,946,836	+11.5	3,357,032	1,514,553	1,683,262
March 25	4,409,159	3,928,170	+12.2	3,345,502	1,480,208	1,679,589
April 1	4,408,703	3,889,858	+13.3	3,348,608	1,465,076	1,633,291
April 8	4,361,094	3,882,467	+12.3	3,320,858	1,480,738	1,696,543
April 15	4,307,498	3,916,794	+10.0	3,307,700	1,469,810	1,709,331
April 22	4,344,188	3,925,175	+10.7	3,273,190	1,454,505	1,699,822
April 29	4,336,247	3,866,721	+12.1	3,304,602	1,429,032	1,688,434
May 6	4,233,756	3,903,723	+ 8.5	3,365,208	1,436,928	1,698,942
May 13	4,238,375	3,969,161	+ 6.8	3,356,921	1,435,731	1,704,426
May 20	4,245,678	3,992,250	+ 6.3	3,379,985	1,425,151	1,705,460
May 27	4,291,750	3,990,040	+ 7.6	3,322,651	1,381,452	1,615,085
June 3	4,144,490	3,925,893	+ 5.6	3,372,374	1,435,471	1,689,925
June 10		4,040,376		3,463,528	1,441,532	1,699,227
June 17		4,098,401		3,433,711	1,440,541	1,702,501
June 24		4,120,038		3,457,024	1,456,961	1,723,428

Moody's Daily Commodity Index

Tuesday, May 30, 1944	*
Wednesday, May 31	251.0
Thursday, June 1	250.9
Friday, June 2	250.8
Saturday, June 3	250.7
Monday, June 5	251.1
Tuesday, June 6	251.0
Two weeks ago, May 23	250.4
Month ago, May 6	249.6
Year ago, June 5	245.7
1943 High, April 1	249.8
Low, Jan. 2	240.2
1944 High, March 17	251.5
Low, Jan. 5	247.0

*Holiday.

Wholesale Commodity Index Rose 0.1% In Week Ended May 27 Labor Dept. Reports

Largely as a result of higher prices for agricultural commodities, particularly fruits, vegetables and livestock, the Bureau of Labor Statistics' index of commodity prices at the primary market level rose 0.1% during the week ended May 27 to 103.9% of the 1926 average, the United States Department of Labor announced on June 1. "The all-commodity index is slightly lower than at the same time last year," said the Department, which likewise reported:

"**Farm Products and Foods**—Average prices for farm products rose 0.3% during the week, led by an increase of 0.7% for livestock. Cows and steers advanced more than 2% and hogs were up slightly. Lambs and live poultry declined in the Chicago market. The grain markets continued unsettled with rye down 10%, although wheat was somewhat stronger. White potatoes in most markets were substantially higher and lemons advanced seasonally. Cotton declined nearly one-half of 1%, eggs were seasonally lower and oranges and onions also declined. Average prices for farm products are 0.5% higher than at this time last month but 2.4% lower than at the end of May, 1943.

"With an increase of 1.3% in average prices for fruits and vegetables, the index for the foods group rose 0.2%. Sweet potatoes were up nearly 17%, white potatoes at New York advanced 6.5%, at Chicago and Boston about 2% and in the Portland (Oregon) market 0.7. Rye flour declined 8% and eggs were down 1.4%. While average prices for foods have risen 0.2% in the past four weeks, they are more than 5% lower than at this time last year.

"**Industrial Commodities**—The industrial commodity markets remained relatively steady. An earlier rise in market prices for sheepskins accounted for the increase of 0.1% in the hides and leather products group index. A further decline of 5.6% occurred in prices for quicksilver, and turpentine and rosin continued to rise. Minor fluctuations were reported in prices for Western pine lumber. Boards increased slightly while shop lumber declined." The Departments announcement also contains the following notation:

Note—During the period of rapid changes caused by price controls, materials allocation and rationing, the Bureau of Labor Statistics will attempt promptly to report changing prices. Indexes marked (*), however, must be considered as preliminary and subject to such adjustment and revisions as required by later and more complete reports.

The following tables show (1) index numbers for the principal groups of commodities for the past three weeks, for April 29, 1944 and May 29, 1943, and the percentage changes from a week ago, a month ago and a year ago, and (2) percentage changes in subgroup indexes from May 20 to 27, 1944.

WHOLESALE PRICES FOR WEEK ENDED MAY 27, 1944

(1926=100)

						Percentage change to May 27, 1944 from—		
Commodity Groups—	5-27 1944	5-20 1944	5-13 1944	4-29 1944	5-29 1943	5-20 1944	4-29 1944	5-29 1943
All commodities	*103.9	*103.8	*103.6	*103.7	104.0	+0.1	+0.2	— 0.1
Farm products	*123.7	*123.3	*122.4	*123.1	126.7	+0.3	+0.5	— 2.4
Foods	104.9	104.7	104.6	104.7	110.7	+0.2	+0.2	— 5.2
Hides and leather products	117.7	117.6	117.6	117.6	118.4	+0.1	+0.1	— 0.6
Textile products	97.3	97.3	97.3	97.3	96.9	0	0	+ 0.4
Fuel and lighting materials	83.9	83.9	83.7	83.7	81.3	0	+0.2	+ 3.2
Metals and metal products	*103.8	*103.8	*103.8	*103.8	103.9	0	0	— 0.1
Building materials	115.6	115.6	115.0	114.7	110.3	0	+0.8	+ 4.8
Chemicals and allied products	105.4	105.4	105.4	105.4	100.2	0	0	+ 5.2
Housefurnishing goods	106.0	106.0	106.0	106.0	104.2	0	0	+ 1.7
Miscellaneous commodities	93.3	93.3	93.3	93.3	91.7	0	0	+ 1.7
Raw materials	*113.6	*113.3	*112.8	*113.2	114.3	+0.3	+0.4	— 0.6
Semimanufactured articles	93.6	93.6	93.5	93.5	92.9	0	+0.1	+ 0.8
Manufactured products	*101.1	*101.1	*101.0	*101.0	100.9	0	+0.1	+ 0.2
All commodities other than farm products	*99.6	*99.6	*99.5	*99.5	99.1	0	+0.1	+ 0.5
All commodities other than farm products and foods	*98.7	*98.7	*98,6	*98.5	96.9	0	+0.2	+ 1.9

*Preliminary.

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM MAY 20, 1944 TO MAY 27, 1944

Increases

Fruits and vegetables	1.3	Anthracite	0.4
Livestock and poultry	0.7	Other farm products	0.2
Hides and skins	0.6	Bituminous coal	0.1
Paint and paint materials	0.1		

Decreases

Other foods	0.3	Cereal products	0.1
Grains	0.1		

Civil Engineering Construction $138,857,000 in May—Private Work Tops Last Month & Year Ago

Civil engineering construction volume in continental U. S. totals $138,857,000 for the four weeks of May. This volume, not including the construction by military engineers abroad, American contracts outside the country, and shipbuilding, is 4% below last month. and 49% below the volume reported to "Engineering News-Record" for the corresponding month last year. The report made public on June 1, added in part:

Private construction is 55% above the preceding month and 95% above the 1943 month due to the increased volume of industrial buildings. Public work is 18 and 62% lower, respectively, than a month ago and a year ago as a result of the lower federal volume. State and municipal construction tops last month by 25% and is 8% above the May, 1943 total.

Civil engineering construction volumes for May, 1943, April, 1944 and May, 1944, are:

	May, 1943 (4 weeks)	April, 1944 (4 weeks)	May, 1944 (4 weeks)
Total U. S. Construction	$273,650,000	$145,040,000	$138,857,000
Private Construction	22,014,000	27,649,000	42,923,000
Public Construction	251,636,000	117,391,000	95,934,000
State and Municipal	22,649,000	19,638,000	24,476,000
Federal	228,987,000	97,753,000	71,458,000

The May volume brings 1944 civil engineering construction volume to $734,019,000 for the five months, a total 51% below the $1,491,759,000 reported for the corresponding 1943 period. Private work for the year to date, $168,912,000, is 13% higher than a year ago, but public construction, $565,107,000, is 58% lower due to the 1% decrease in state and municipal work, and the 61% drop in federal volume.

New Capital

New capital for construction purposes for May, 1944 totals $60,914,000, an increase of 363% over the $13,143,000 for the corresponding 1943 month. The May new construction financing total is made up of $21,480,000 in private investment, and $39,434,000 in federal appropriations for federal construction.

New construction financing for 1944 to date, $426,549,000, is 13% below the $492,422,000 reported for the five-month period in 1943. Private investment for the period, $127,503,000, is 60% above last year, and federal funds for non-federal work, $53.780.000, are 343% higher. Federal appropriations for military and departmental construction, however, are 39% below a year ago.

Civil Engineering Construction $23,214,000 For Holiday Week

Civil engineering construction volume for the short week due to the Memorial Day holiday totals $23,214,000. This volume, not including the construction by military engineers abroad, American contracts outside the country, and shipbuilding, is 78% below the corresponding 1943 week, below the $27,885,000 reported to "Engineering News-Record" for the preceding week, and 23% below the previous four-week moving average. The report made public on June 1, is as follows:

Public construction is 61% under the week last year due to the 22% decrease in state and municipal work and the 65% decline in federal volume. Private work is 95% lower than in the 1943 week.

The current week's construction brings 1944 volume to $757,233,000 for the 22 weeks, a decrease of 53% from the $1,598,632,000 reported for the corresponding 1943 period. Private construction, $171,823,000, is 16% under a year ago, and public construction, $585,410,000, is 58% lower due to the 2% decrease in state and municipal and the 62% drop in federal.

Civil engineering construction volumes for the short 1943 week, the preceding week, and the current week are:

	June 3, '43 (4 days)	May 25, '44 (5 days)	June 1, '44 (4 days)
Total U. S. Construction	$106,873,000	$27,885,000	$23,214,000
Private Construction	54,323,000	5,865,000	2,911,000
Public Construction	52,550,000	22,020,000	20,303,000
State and Municipal	4,296,000	6,278,000	3,344,000
Federal	48,254,000	15,742,000	16,959,000

In the classified construction groups, gains over last week are in sewerage, and earthwork and drainage. Gains over the 1943 week are in sewerage, bridges, and earthwork and drainage. Subtotals for the week in each class of construction are: waterworks, $192,000; sewerage, $998,000; bridges, $283,000; industrial buildings, $1,040,000; commercial building and large-scale private housing, $480,000; public buildings, $5,772,000; earthwork and drainage, $6,144,000; streets and roads, $4,016,000; and unclassified construction, $4,289,000.

New capital for construction purposes for the week totals $948,000, and is made up entirely of state and municipal bond sales. The week's new financing brings 1944 volume to $427,497,000, 13% under the $492,713,000 reported for the 22-week 1943 period.

Changes In Rules Of N. Y. Stock Exchange Relative To Margin And Cash Accounts

Attention to changes in the rules of the New York Stock Exchange affecting margin and cash accounts in "when issued" and "when distributed" securities, has been called in notices issued by the Exchange to members on May 9. Regarding the amendments the announcement of the Exchange says:

The Board of Governors at a meeting on May 4, 1944, amended paragraphs (g), (j) and (q) of Rule 550 to read as follows:

(g) Time Within Which Margin, Deposit or "Mark to Market" Must Be Obtained. The amount of margin, deposit or "mark to market" required by any provision of this rule shall be obtained as promptly as possible and in any even within a reasonable time.

(j) Cash Accounts. No margin or deposit need be required upon bona fide cash transactions either for the purchase or for the sale of securities, other than "when issued" or "when distributed" securities.

(q) "When Issued" and "When Distributed" Securities.

(1) Margin Accounts

The minimum amount of margin on any position in a "when issued" security shall be the same as if such security were issued.

A net position in each "when issued" security shall be established for the purpose of computing margin.

Each position in a "when issued" security shall be margined separately and any unrealized profit shall be of value only in providing the amount of margin required on that particular position.

When an account has a "short" position in a "when issued" security and there are held in the account securities in respect of which the "when issued" security may be issued, such "short" position shall be marked to the market and the balance in the account shall for the purpose of this rule be adjusted for any unrealized loss in such "short" "when issued" position.

(2) Cash Accounts

In connection with any net position resulting from contracts for a "when issued" security in an account other than that of a member-firm, non-member broker or dealer, bank, trust company, insurance company, charitable or non-profit educational institution. Deposits shall be required equal to the margin required were such position in a margin account.

In connection with any net position resulting from contracts for a "when issued" security made for or with a non-member broker or dealer, no deposit or margin need be required, but such net position must be marked to the market.

In connection with any net position resulting from contracts for a "when issued" security made for or with a non-member broker or dealer, no deposit or margin need be required, but such net position must be marked to the market.

In connection with any net position resulting from contracts for a "when issued" security made for or with a bank, trust company, insurance company, charitable or non-profit educational institution, or for a member firm. No deposit or margin need be required and such net position need not be marked to the market. However, where such net position is not marked to the market, an amount equal to the loss at the market in such position shall be considered as cash required to provide margin in the computation of the Net Capital of the member firm under Rule 415.

The provisions of sub-paragraph (2) shall not apply to any position resulting from contracts on a "when issued" basis of a security

(a) which is the subject of a primary distribution in connection with a bona fide offering by the issuer to the general public for "cash", or

(b) which is exempt by the Exchange as involving a primary distribution.

The term "when issued" as used in paragraph (q) of this rule also means "when distributed."

The effective dates of these changes shall be May 15, 1944, with respect to transactions effected on or after that date, and July 1, 1944 in the case of positions established prior to May 15, 1944 in cash accounts.

The advices of the Exchange also stated:

The rule remains substantially unchanged as to transactions effected in margin accounts.

With respect to transactions in cash accounts for persons who are not member firms, non-member brokers and dealers, banks, trust companies, insurance companies and charitable or non-profit educational institutions, deposits must be obtained in an amount equal to the margin required in a margin account.

Principal transactions are to be treated for the purpose of the rule the same as agency transactions.

Non-member brokers and dealers, are only required to "mark to the market" any transactions made either on a principal basis or on an agency basis.

In connection with transactions made on an agency or principal basis for or with any bank, trust company, insurance company, charitable or non-profit educational institution, or on an agency basis for a member firm in a cash account, no deposit need be obtained, and any net position in the "when issued" security need not be marked to the market. However, where the net position is not marked to the market the firm's capital is to be charged with an amount sufficient to mark the net position to the market.

"When issued" and "when distributed" securities positions are to be treated the same for the purposes of this rule, and any margin or deposit required on "when issued" securities positions shall be obtained on similar positions in "when distributed" securities.

Members are reminded that the changes in the margin requirements of the Exchange and the rules governing cash accounts do not effect the provisions of Regulation T of the Board of Governors of the Federal Reserve System.

While provision is made for the use of a cash account for the purchase of "when issued" or "when distributed" securities pursuant to the customer's agreement that he will pay in full for the security and that he does not contemplate selling it prior to making such payment, such purchases should be effected in margin accounts wherever possible, reserving the cash account for transactions by customers who do not customarily purchase or sell securities on a margin basis."

Weekly Coal And Coke Production Statistics

The Solid Fuels Administration for War, U. S. Department of the Interior, in its latest report, states that the total production of soft coal in the week ended May 27, 1944 is estimated at 12,550,000 net tons, an increase of 250,000 tons, or 2%, over the preceding week. Output in the corresponding week of 1943 amounted to 11,756,000 tons. Cumulative production of soft coal from Jan. 1 to May 27, 1944 totaled 260,462,000 net tons, as against 247,843,000 tons in the same period last year, a gain of 5.1%.

Production of Pennsylvania anthracite for the week ended May 27, 1944, according to the U. S. Bureau of Mines, was estimated at 1,369,000 tons, an increase of 64,000 tons (4.9%) over the preceding week. When compared with the output in the corresponding week of 1943, there was an increase of 23,000 tons, or 1.7%. The calendar year to date shows an increase of 4.3% when compared with the corresponding period of 1943.

The Bureau of Mines also reported that the estimated production of beehive coke in the United States for the week ended May 27, 1944 showed an increase of 2,400 tons when compared with the output for the week ended May 20, 1944; but was 21,800 tons less than for the corresponding week of 1943.

ESTIMATED UNITED STATES PRODUCTION OF COAL, IN NET TONS

	Week Ended			January 1 to Date		
Bituminous coal and lignite—	May 27, 1944	May 20, 1944	May 29, 1943	*May 27, 1944	May 29, 1943	May 29, 1937
Total, incl. mine fuel	12,550,000	12,300,000	11,756,000	260,462,000	247,843,000	192,053,000
Daily average	2,092,000	2,050,000	1,959,000	2,062,000	1,959,000	1,523,000

*Subject to current adjustment.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE
(In Net Tons)

	Week Ended			Calendar Year to Date		
Penn. anthracite—	‡May 27, 1944	§May 20, 1944	May 29, 1943	May 27, 1944	May 29, 1943	June 1, 1929
*Total incl. coll. fuel	1,369,000	1,305,000	1,346,000	26,963,000	25,855,000	30,791,000
†Commercial produc.	1,314,000	1,253,000	1,292,000	25,886,000	24,821,000	28,574,000
Beehive coke—						
United States total	145,000	142,600	166,800	3,182,500	3,384,600	3,497,300

*Includes washery and dredge coal, and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Subject to revision. §Revised.

ESTIMATED WEEKLY PRODUCTION OF COAL, BY STATES
(In Net Tons)

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

	Week Ended			
State—	May 20, 1944	May 13, 1944	May 22, 1943	May 22, 1937
Alabama	383,000	397,000	411,000	267,000
Alaska	5,000	5,000	6,000	2,000
Arkansas and Oklahoma	91,000	92,000	51,000	13,000
Colorado	119,000	154,000	165,000	82,000
Georgia and North Carolina	1,000	1,000	1,000	*
Illinois	1,478,000	1,484,000	1,322,000	562,000
Indiana	543,000	536,000	412,000	243,000
Iowa	38,000	45,000	43,000	24,000
Kansas and Missouri	188,000	191,000	76,000	72,000
Kentucky—Eastern	927,000	980,000	977,000	796,000
Kentucky—Western	383,000	395,000	268,000	106,000
Maryland	40,000	38,000	41,000	18,000
Michigan	4,000	6,000	2,000	1,000
Montana (bitum. & lignite)	76,000	79,000	80,000	32,000
New Mexico	36,000	39,000	33,000	27,000
North & South Dakota (lignite)	32,000	28,000	22,000	16,000
Ohio	705,000	718,000	665,000	458,000
Pennsylvania (bituminous)	3,164,000	3,257,000	2,806,000	2,002,000
Tennessee	139,000	140,000	140,000	108,000
Texas (bituminous & lignite)	3,000	3,000	4,000	16,000
Utah	116,000	124,000	125,000	24,000
Virginia	383,000	392,000	393,000	242,000
Washington	29,000	25,000	29,000	29,000
†West Virginia—Southern	2,180,000	2,162,000	2,277,000	1,679,000
‡West Virginia—Northern	1,080,000	1,100,000	912,000	531,000
Wyoming	156,000	168,000	167,000	72,000
§Other Western States	1,000	1,000	1,000	*
Total bituminous & lignite	12,300,000	12,560,000	11,429,000	7,422,000
Pennsylvania anthracite	1,305,000	1,326,000	1,282,000	1,085,000
Total, all coal	13,605,000	13,886,000	12,711,000	8,507,000

†Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason and Clay counties. ‡Rest of State, including the Panhandle District and Grant, Mineral and Tucker counties. §Includes Arizona, California, Idaho, Nevada and Oregon. *Less than 1,000 tons.

Net Profits Of Insured Commercial Banks In 1943 Highest Ever Reported Says FDIC

Net profits after taxes of the 13,274 insured commercial banks in 1943 amounted to $638,000,000, the highest figure reported since the inauguration of deposit insurance, Chairman Leo T. Crowley of the Federal Deposit Insurance Corporation announced on May 30. The $638,000,000 represented an increase of $197,000,000, or 45%, over the figure for net profits reported in 1942. Net profits after taxes represented a return of 8.6% on total capital accounts, a new high in the history of the Federal Deposit Insurance Corporation. According to the announcement "the increase in net profits is attributed chiefly to substantial increases in current operating earnings, recoveries, and profits on securities sold, offset only in part by increased current operating expenses and taxes and by slightly heavier losses on assets."

Dividends, it is added, were $233,000,000, about the same as in 1942, and the amount added to capital accounts from profits in 1943 was $405,000,000, nearly double that added in 1942.

The tabulation of the 1943 statements of earnings, expenses, and dividends of the 13,274 insured commercial banks disclosed the following additional facts, it was noted in the advices from the Corporation:

1. The largest single item of income was interest on securities, chiefly U. S. Government obligations, which in 1943 amounted to $861,000,000, an increase of $251,000,000 or 41% over 1942. The average yield on securities was 1.33% in 1943, compared with 1.78% in 1942.

2. Interest and discount on loans declined from 1942 by $113,000,000 to $692,000,000, the smallest amount reported in 7 years. The average rate of income on loans was 3.75%, the lowest since inauguration of Federal insurance of deposits.

3. All other items of earnings showed increases over 1942.

4. Total current operating earnings in 1943 amounted to $1,959,000,000, an increase of $168,000,000, or 9% over the preceding year.

5. Total current operating expenses, exclusive of taxes, showed an increase of $31,000,000, or almost 3%. The increase in the current operating expense items was in salaries, wages, and fees and in other current operating expenses. The increase in these items was offset in part by a reduction of $11,000,000 in interest on time and savings deposits. The average rate of interest paid on time and savings deposits amounted to .86% compared to 1.1% in 1942.

6. Net current operating earnings before taxes amounted to $803,000,000, an increase over the preceding year of $137,000,000, or 20%.

7. Taxes paid by the banks increased by $51,000,000, or 29%, due chiefly to larges income taxes paid out of higher profits. Total taxes reported in 1943 were $228,000,000, the largest figure reported to the Corporation.

8. Profits on securities sold increased during the year by $37,000,000, or 56%. Net charge-offs on assets (losses less recoveries on assets, exclusive of profits on securities sold) declined by $74,000,000 during the year to a new low of $40,000,000.

9. Common and preferred cash dividends and interest paid on capital amounted to $233,000,000, a gain of $5,000,000 over amounts reported in 1942. The rate of dividends on capital stock, notes, and debentures was about 8%—the same as in the preceding year.

The following statistics are made available by the FDIC:

EARNINGS, EXPENSES AND DIVIDENDS OF INSURED COMMERCIAL BANKS
CALENDAR YEAR 1943 COMPARED WITH CALENDAR YEAR 1942
(Amounts in millions of dollars)

	Amount		Change	
	1943	1942	Amount	Percent
Current operating earnings—total	1,959	1,791	+168	+ 9.4
Interest and dividends on securities	861	610	+251	+ 41.1
Interest and discount on loans	692	805	—113	— 14.0
Service charges and other fees on bank's loans	14	12	+ 2	+ 16.7
Service charges on deposit accounts	95	84	+ 11	+ 13.1
Other service charges, commissions, fees, and collection and exchange charges	67	55	+ 12	+ 21.8
Trust department	105	101	+ 4	+ 4.0
Other current operating earnings	125	124	+ 1	+ 0.8
Current operating expenses—total	1,156	1,125	+ 31	+ 2.8
Salaries—officers	225	219	+ 6	+ 2.7
Salaries and wages—employees	357	333	+ 24	+ 7.2
Fees paid to directors and members of executive, discount and other committees	12	12	---	---
Interest on time deposits (including savings deposits)	164	175	— 11	— 6.3
Interest and discount on borrowed money	---	---	---	---
Recurring depreciation on banking house, furniture and fixtures	40	40	---	---
Other current operating expenses	358	346	+ 12	+ 3.5
Net current operating earnings, before taxes	803	666	+137	+ 20.6
Taxes, including income	228	177	+ 51	+ 28.8
Net current operating earnings, after taxes	575	489	+ 86	+ 17.6
Recoveries—total	250	157	+ 93	+ 59.2
On securities	92	56	+ 36	+ 64.3
On loans	86	69	+ 17	+ 24.6
All other	72	32	+ 40	+125.0
Profits on securities sold or redeemed	103	66	+ 37	+ 56.1
Losses and charge-offs—total	290	271	+ 19	+ 7.0
On securities	116	121	— 5	— 4.1
On loans	75	80	— 5	— 6.3
All other	99	70	+ 29	+ 41.4
Net profits before dividends	638	441	+197	+ 44.7
Cash dividends declared and interest paid on capital	233	228	+ 5	+ 2.2
Net profits after dividends	405	213	+192	+ 90.1
Number of banks	13,274	13,347	— 73	— 0.5

Non-Ferrous Metals—Copper Deliveries For June Expected to Exceed 150,000 Tons

"E. & M. J. Metal and Mineral Markets," in its issue of June 1, states "Domestic sales of copper, plus a substantial tonnage of foreign metal ear-marked for shipment to consumers, point to deliveries for June of more than 150,000 tons. Lead producers also booked a large tonnage for June shipment. The position of zinc remains satisfactory, though brass mills showed some reserve in taking on June metal. Inquiry for quicksilver improved in some quarters, and prices were maintained during the last week at $110 to $114 per flask. Metals Reserve Co. announced a revised selling schedule for manganese ore that simplifies the basis for both foreign and domestic material." The publication further went on to say in part:

Copper

With deliveries of copper to domestic consumers absorbing around 60,000 tons of foreign metal a month, the stockpile is being reduced at a higher rate than anticipated. Stockpile figures are not available for publication. Domestic deliveries of copper during the first half of 1944 will total around 843,500 tons, according to preliminary estimates, which compares with 841,857 tons in the Jan.-June period of 1943.

Domestic mines produced copper at the rate of 2,994 tons daily in April, against 3,037 tons daily in March, the Bureau of Mines reports.

Lead

Purchases of lead for June shipment, covering domestic and foreign metal, were unusually large, the sales record for May shows. The government's stockpile is being reduced, but not at a rate to cause any apprehension.

Sales in the domestic market for the last week involved 4,299 tons, against 1,948 tons in the week previous. June requirements of consumers are more than 90% covered.

Mine output of lead in this country averaged 1,240 tons daily in April, against 1,250 tons daily in March, according to the Bureau of Mines.

Consumption of purchased lead scrap and residues during March was 36,139 tons, containing 26,298 tons of lead, according to the Bureau of Mines. This compares with 35,053 tons, containing 25,818 tons of lead, in February. Stocks of lead-bearing scrap at the end of March totaled 70,763 tons (gross weight), against 70,671 tons a month previous.

Secondary - lead recovery in March, according to kind, was in the following percentages: In antimonial lead, 55; soft lead, 21; in solder 10; in bearing metals, 8; in type metals, 6.

Zinc

Mine output of zinc, in terms of recoverable metal, amounted to 64,123 tons in March, the Bureau of Mines reports. The daily rate of production for April was 2,137 tons, which compares with 2,178 tons daily in March.

In view of the high level of activity at the brass mills, the trade is a little disappointed in the sales volume of June metal that has been placed so far by that industry. Inventories are being reduced, sellers believe.

Manganese Ore

The Metals Reserve Co., effective May 15, 1944, has established a selling basis for manganese ore of 85c. per long-ton unit of contained manganese, based on New York, Philadelphia, Baltimore, Norfolk, Mobile, and New Orleans. On foreign ore, the selling price includes the duty. Usual premiums, penalties, and freight differentials obtain. MRC stations in the West (Fontana, Provo, and Pueblo) will sell ore on the basis of 91c. per unit. The price schedule is subject to change without notice.

Tin

Third-quarter quota for tinmill products is reported at 875,000 tons, which compares with 825,000 tons in the second quarter. These totals include some black plate.

Exports of tin concentrates from Bolivia during March contained 3,154 metric tons of fine tin, against 3,646 tons in March last year, according to the American Metal Market. Exports during the first three months of 1944 totaled 8,692 tons, which compares with 10,308 tons in the same period last year.

The price situation in tin remains unchanged. Straits quality tin for shipment, in cents per pound, was as follows:

	June	July	August
May 25	52.000	52.000	52.000
May 26	52.000	52.000	52.000
May 27	52.000	52.000	52.000
May 29	52.000	52.000	52.000
May 30		Holiday	
May 31	52.000	52.000	52.000

Chinese, or 99% tin, held at 51.125c. per pound.

Quicksilver

Inquiry for quicksilver has improved, and some operators viewed the market as steady as the week ended. Cost of producing the metal has risen in the war period, and prevailing prices are forcing some low-cost mines to curtail. An expansion in demand might strengthen prices, dealers contend, even though the total supply, which includes the stockpile, is large. The government is not expected to dump any of its surplus metal on the market. Quotations continued at $110 to $114 per flask.

The Union of South Africa produced 1,158 flasks of quicksilver during 1943, according to Foreign Commerce Weekly, Department of Commerce.

Antimony

Supplies of antimony are ample, and producers look with favor on any moves to expand consumption. Demand for the metal in connection with battery production and the lead-antimony alloys has been good. The price situation remains unchanged, largely because most of the surplus metal is tied up in the stockpile.

The I.C.C. has equalized the freight tariff on antimony, which officially establishes the rate now in effect for the movement of the metal to various marketing centers.

Silver

The London market for silver was quiet and the price unchanged at 23½d. The New York Official for foreign silver continued at 44¾c., with domestic metal at 70⅝c. The Treasury's price of foreign silver held at 35c. an ounce troy.

Lumber Movement—Week Ended May 27, 1944

According to the National Lumber Manufacturers Association, lumber shipments of 503 mills reporting to the National Lumber Trade Barometer were 4.9% above production for the week ended May 27, 1944. In the same week new orders of these mills were 3.2% above production. Unfilled order files of the reporting mills amounted to 124.0% of stocks. For reporting softwood mills, unfilled orders are equivalent to 41 days' production at the current rate, and gross stocks are equivalent to 31 days' production.

For the year-to-date, shipments of reporting identical mills exceeded production by 7.8%; orders by 12.1%.

Compared to the average corresponding week of 1935-39, production of reporting mills was 12.2% greater; shipments were 20.0% greater; and orders were 22.7% greater.

Daily Average Crude Oil Production For Week Ended May 27, 1944 Up Only 650 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended May 27, 1944 was 4,514,050 barrels, an increase of 650 barrels over the previous week and 543,750 barrels per day more than produced during the corresponding week of 1943. The current figure, however, was 5,650 barrels less than the daily average figure recommended by the American Petroleum Institute for the month of May, 1944. Daily production for the four weeks ended May 27, 1944 averaged 4,512,000 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,532,000 barrels of crude oil daily and produced 13,502,000 barrels of gasoline; 1,582,000 barrels of kerosine; 4,702,000 barrels of distillate fuel oil, and 8,568,000 barrels of residual fuel oil during the week ended May 27, 1944; and had in storage at the end of that week 86,468,000 barrels of gasoline; 7,696,000 barrels of kerosine; 32,035,000 barrels of distillate fuel, and 49,812,000 barrels of residual fuel oil. The above figures apply to the country as a whole, and do not reflect conditions on the East Coast.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*P. A. W. Recommendations May	*State Allowables begin May 1	Actual Production			
			Week Ended May 27, 1944	Change from Previous Week	4 Weeks Ended May 27, 1944	Week Ended May 29, 1943
Oklahoma	330,000	328,000	†333,650	— 200	334,200	323,250
Kansas	285,000	269,600	†283,550	— 250	278,100	299,450
Nebraska	900		†950	— 50	1,000	2,050
Panhandle Texas			91,000	----	91,000	91,100
North Texas			147,200	----	147,200	131,750
West Texas			429,150	----	429,100	226,750
East Central Texas			137,150	----	137,100	124,300
East Texas			364,100	----	364,100	339,300
Southwest Texas			307,050	----	307,100	214,000
Coastal Texas			519,850	----	519,800	375,200
Total Texas	1,972,000	‡1,976,904	1,995,500	----	1,995,400	1,502,400
North Louisiana			73,550	— 300	74,300	87,050
Coastal Louisiana			283,100	----	283,100	261,050
Total Louisiana	350,000	390,500	356,650	— 300	357,400	348,100
Arkansas	76,700	77,991	80,650	+ 200	80,300	72,900
Mississippi	43,000		40,400	— 650	41,000	54,000
Alabama			100	----	100	----
Florida			50	----	50	----
Illinois	220,000		208,500	— 6,100	212,000	211,550
Indiana	14,000		13,450	+ 1,100	13,000	13,650
Eastern—(Not incl. Ill., Ind., Ky.)	73,800		71,900	+ 1,050	71,400	79,700
Kentucky	23,000		20,700	— 950	21,200	21,950
Michigan	54,000		51,600	+ 5,250	50,500	61,700
Wyoming	94,000		85,750	+ 4,600	84,900	92,100
Montana	24,400		21,300	— 100	21,400	20,900
Colorado	7,200		8,350	+ 150	8,300	6,650
New Mexico	111,700	111,700	108,200	----	110,100	96,850
Total East of Calif	3,679,700		3,681,250	+ 3,750	3,680,500	3,207,200
California	840,000	§840,000	832,800	— 3,100	831,500	763,100
Total United States	4,519,700		4,514,050	+ 650	4,512,000	3,970,300

*P.A.W. recommendations and state allowables, as shown above, represent the production of crude oil only, and do not include amounts of condensate and natural gas derivatives to be produced.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. May 25, 1944.

‡This is the net basic allowable as of May 1 calculated on a 31-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 1 to 14 days, the entire state was ordered shut down for 7 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 7 days shutdown time during the calendar month. §Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED MAY 27, 1944

(Figures in Thousands of barrels of 42 Gallons Each)

Figures in this section include reported totals plus an estimate of unreported amounts and are —therefore on a Bureau of Mines basis—

District—	Daily Refining Capacity		Crude Runs to Stills		§Gasoline Production at Refineries Includ. Natural Blended	‡Stocks Finished and Unfinished Gasoline	‡Stocks of Gas Oil and Distillate Fuel Oil	‡Stocks of Residual Fuel Oil
	Potential Rate	% Reporting	Daily Average	% Operated				
*Combin'd: East Coast Texas Gulf, Louisiana Gulf, North Louisiana-Arkansas, and inland Texas	2,518	90.3	2,410	95.7	6,663	37,468	16,857	14,520
Appalachian—								
District No. 1	130	83.9	102	78.5	306	2,015	884	250
District No. 2	47	87.2	59	125.5	154	1,153	393	182
Ind., Ill., Ky.	824	85.2	752	91.3	2,726	19,584	4,530	2,791
Okla., Kans., Mo.	418	80.2	363	86.8	1,279	8,294	1,310	1,303
Rocky Mountain—								
District No. 3	8	26.9	13	162.5	37	70	6	31
District No. 4	141	58.3	94	66.7	358	2,305	317	562
California	817	89.9	739	90.5	1,979	15,579	7,738	30,173
Total U. S. B. of M. basis May 27, 1944	4,903	87.3	4,532	92.4	13,502	†86,468	32,035	49,812
Total U. S. B. of M. basis May 20, 1944	4,903	87.3	4,483	91.4	13,536	87,962	31,088	49,977
U. S. Bur. of Mines basis May 29, 1943			3,671		10,736	84,477	30,657	67,608

*At the request of the Petroleum Administration for War. †Finished, 74,373,000 barrels; unfinished, 12,095,000 barrels. ‡At refineries, at bulk terminals, in transit and in pipe lines. §Not including 1,582,000 barrels of kerosine, 4,702,000 barrels of gas oil and distillate fuel oil and 8,568,000 barrels of residual fuel oil produced during the week ended May 27, 1944, which compares with 1,738,000 barrels, 4,675,000 barrels and 8,415,000 barrels, respectively, in the preceding week and 1,447,000 barrels, 3,721,000 barrels and 7,623,000 barrels, respectively, in the week ended May 29, 1943.

Note—Stocks of kerosine at May 27, 1944 amounted to 7,696,000 barrels, as against 7,600,000 barrels a week earlier and 6,218,000 barrels a year before.

Trading On New York Exchanges

The Securities and Exchange Commission made public on May 27 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended May 13, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended May 13 (in round-lot transactions) totaled 1,126,728 shares, which amount was 15.41% of the total transactions on the Exchange of 3,658,310 shares. This compares with member trading during the week ended May 6 of 1,205,393 shares, or 16.65% of the total trading of 3,619,170 shares. On the New York Curb Exchange, member trading during the week ended May 13 amounted to 254,815 shares, or 15.07% of the total volume on that exchange of 845,295 shares; during the May 6 week trading for the account of Curb members of 226,550 shares was 14.40% of total trading of 786,505 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED MAY 13, 1944

	Total for Week	†%
A. Total Round-Lot Sales:		
Short sales	89,340	
‡Other sales	3,568,970	
Total sales	3,658,310	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	262,780	
Short sales	36,550	
‡Other sales	253,540	
Total sales	290,090	7.56
2. Other transactions initiated on the floor—		
Total purchases	161,770	
Short sales	8,700	
‡Other sales	184,800	
Total sales	193,500	4.86
3. Other transactions initiated off the floor—		
Total purchases	95,818	
Short sales	6,500	
‡Other sales	116,270	
Total sales	122,770	2.99
4. Total—		
Total purchases	520,368	
Short sales	51,750	
‡Other sales	554,610	
Total sales	606,360	15.41

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED MAY 13, 1944

	Total for Week	†%
A. Total Round-Lot Sales:		
Short sales	5,610	
‡Other sales	839,685	
Total sales	845,295	
B. Round-Lot Transactions for Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	57,115	
Short sales	1,535	
‡Other sales	74,525	
Total sales	76,060	7.88
2. Other transactions initiated on the floor—		
Total purchases	15,580	
Short sales	1,450	
‡Other sales	24,085	
Total sales	25,535	2.43
3. Other transactions initiated off the floor—		
Total purchases	42,800	
Short sales	400	
‡Other sales	37,325	
Total sales	37,725	4.76
4. Total—		
Total purchases	115,495	
Short sales	3,385	
‡Other sales	135,935	
Total sales	139,320	15.07
C. Odd-Lot Transactions for Account of Specialists—		
Customers' short sales	0	
§Customers' other sales	44,614	
Total purchases	44,614	
Total sales	30,949	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

President Says Allied Offensive Is Made On Basis Of Liberation Rather Than Invasion

Remarks of President Roosevelt on May 26, regarding Allied operations against Hitler, which he pointed out might preferably be described as liberation rather than invasion, were noted as follows in Washington advices, by Bert Andrews, in the New York "Herald Tribune."

"The Allied offensive in Europe will come off some time this summer. President Roosevelt said this afternoon at a press conference at which he strongly urged adoption of a Washington newspaper's suggestion that the term 'invasion' be dropped once and for all and that the more accurate word 'liberation' be used for the impending operation on the Continent.

* * *

"President Roosevelt did not read from the editorial he had in mind. It was from 'The Washington Post' of May 13, and he had the following as its concluding paragraphs:

"'As a military operation the coming invasion will be so mammoth that the very earth is already atingle. But to the people in Hitler's clutches this victory is an explosive idea. On the pennons of the invaders there is inscribed food and freedom. The famished see sustenance, the enslaved see liberty. Both are magical with promise.

"'In a way, we who don't live in these lands are finding the same glittering significance in food and freedom because we have had to fight to insure them. So the victory is a crusade. It will, please God, banish the fear that for so long has been gnawing at the vitals of mankind and enable us all to see our stars again. Call this an invasion when our backs are turned to a dying world and we are fronting a world seeking to be born? It is liberation. That is a word of the heart. Let us, then, call this invasion the liberation—the end and not the means, the civilizing purpose and not the military mission, the war aim and not the battle operation.'

"Mr. Roosevelt, in discussing the editorial, said that all of the Allies' plans were made on the basis of liberation."

Results Of Treasury Bill Offering

The Secretary of the Treasury announced on June 5 that the tenders for $1,200,000,000, or thereabouts, of 91-day Treasury bills to be dated June 8 and to mature Sept. 7, 1944, which were offered on June 2, were opened at the Federal Reserve Banks on June 5.

The details of this issue are as follows:

Total applied for, $1,989,776,000.

Total accepted, $1,202,315,000 (includes $52,343,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price 99.905, equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids:

High, 99.908, equivalent rate of discount approximately 0.364% per annum.

Low, 99.905, equivalent rate of discount approximately 0.375% per annum.

(56% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on June 8 in the amount of $1,035,494,000.

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on May 27 a summary for the week ended May 20 of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended May 20, 1944

	Total for Week
Odd-Lot Sales by Dealers (Customers' purchases)	
Number of orders	14,912
Number of shares	419,297
Dollar value	$17,660,101
Odd-Lot Purchases by Dealers—(Customers' sales)	
Number of Orders:	
Customers' short sales	193
*Customers' other sales	16,110
Customers' total sales	16,303
Number of Shares:	
Customers' short sales	6,510
*Customers' other sales	404,729
Customers' total sales	411,239
Dollar value	$13,988,478
Round-Lot Sales by Dealers—	
Number of Shares:	
Short sales	90
†Other sales	119,800
Total sales	119,890
Round-Lot Purchases by Dealers:	
Number of shares	141,100

*Sales marked "short exempt" are reported with "other sales."

†Sales to offset customers' odd-lot orders, and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Revenue Freight Car Loadings During Week Ended May 27, 1944 Decreased 1,245 Cars

Loading of revenue freight for the week ended May 27, 1944, totaled 869,860 cars, the Association of American Railroads announced on June 2. This was an increase above the corresponding week of 1943 of 16,077 cars, or 1.9%, and an increase above the same week in 1942 of 74,239 cars or 9.3%.

Loading of revenue freight for the week of May 27, decreased 1,245 cars, or 0.1% below the preceding week.

Miscellaneous freight loading totaled 385,524 cars, a decrease of 740 cars below the preceding week, but an increase of 1,797 cars above the corresponding week in 1943.

Loading of merchandise less than carload lot freight totaled 105,085 cars, an increase of 704 cars above the preceding week, and an increase of 6,695 cars above the corresponding week in 1943.

Coal loading amounted to 182,692 cars, an increase of 5,822 cars above the preceding week, and an increase of 10,082 cars above the corresponding week in 1943.

Grain and grain products loading totaled 41,125 cars, an increase of 485 cars above the preceding week but a decrease of 2,301 cars below the corresponding week in 1943. In the Western Districts alone, grain and grain products loading for the week of May 27, totaled 26,242 cars, an increase of 954 cars above the preceding week but a decrease of 2,768 cars below the corresponding week in 1943.

Live stock loading amounted to 14,110 cars, a decrease of 374 cars below the preceding week, but an increase of 546 cars above the corresponding week in 1943. In the Western Districts alone loading of live stock for the week of May 27 totaled 10,602 cars, a decrease of 280 cars below the preceding week, but an increase of 945 cars above the corresponding week in 1943.

Forest products loadings totaled 43,626 cars, a decrease of 3,210 cars below the preceding week and a decrease of 539 cars below the corresponding week in 1943.

Ore loading amounted to 82,741 cars, a decrease of 4,038 cars below the preceding week and a decrease of 248 cars below the corresponding week in 1943.

Coke loading amounted to 14,957 cars, an increase of 106 cars above the preceding week, and an increase of 45 cars above the corresponding week in 1943.

All districts reported increases compared with the corresponding week in 1943 except the Eastern and Pocahontas. All districts reported decreases compared with 1942, except the Eastern, Allegheny, Northwestern, Centralwestern and Southwestern.

	1944	1943	1942
5 Weeks of January	3,796,477	3,531,811	3,858,479
4 weeks of February	3,159,492	3,055,725	3,122,942
4 weeks of March	3,135,155	3,073,445	3,174,781
5 weeks of April	4,068,625	3,924,981	4,209,907
Week of May 6	836,978	816,538	839,286
Week of May 13	868,309	849,032	839,054
Week of May 20	871,105	843,842	837,676
Week of May 27	869,860	853,783	795,621
Total	17,606,001	16,949,157	17,677,746

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended May 27, 1944. During the period 67 roads showed increases when compared with the corresponding week a year ago.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS (NUMBER OF CARS) WEEK ENDED MAY 27

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1944	1943	1942	1944	1943
Eastern District—					
Ann Arbor	249	266	406	1,377	1,370
Bangor & Aroostook	1,065	842	1,669	587	290
Boston & Maine	7,140	6,280	5,943	14,866	13,614
Chicago, Indianapolis & Louisville	1,331	1,425	1,500	2,252	2,060
Central Indiana	30	42	35	41	33
Central Vermont	1,049	1,076	806	2,225	2,511
Delaware & Hudson	6,106	6,470	4,243	12,468	12,233
Delaware, Lackawanna & Western	7,913	8,117	7,304	11,284	11,566
Detroit & Mackinac	276	376	302	131	82
Detroit, Toledo & Ironton	1,798	1,762	1,652	1,183	1,538
Detroit & Toledo Shore Line	338	278	282	2,693	2,685
Erie	14,006	13,080	11,475	17,433	19,787
Grand Trunk Western	4,166	3,975	3,958	8,791	7,747
Lehigh & Hudson River	187	206	198	3,360	2,598
Lehigh & New England	1,810	2,240	1,330	1,708	1,695
Lehigh Valley	9,127	8,905	7,042	16,481	13,870
Maine Central	2,225	2,243	2,108	2,926	2,020
Monongahela	6,676	6,493	5,952	321	424
Montour	2,763	2,559	2,409	24	50
New York Central Lines	49,434	50,441	45,588	55,048	57,973
N. Y., N. H. & Hartford	9,949	10,228	9,028	19,110	18,173
New York, Ontario & Western	1,529	1,420	652	3,640	2,451
New York, Chicago & St. Louis	6,592	7,749	6,961	15,773	15,097
N. Y., Susquehanna & Western	462	536	435	2,143	2,668
Pittsburgh & Lake Erie	7,558	7,933	8,125	9,385	10,174
Pere Marquette	4,895	5,223	5,178	8,420	7,279
Pittsburg & Shawmut	881	1,059	712	58	9
Pittsburg, Shawmut & North	389	392	380	257	256
Pittsburgh & West Virginia	1,340	1,175	1,005	2,484	3,997
Rutland	406	352	335	1,103	1,016
Wabash	5,076	5,510	4,681	12,840	12,331
Wheeling & Lake Erie	5,370	6,425	5,406	4,190	4,891
Total	162,136	165,079	147,100	234,602	232,498
Allegheny District—					
Akron, Canton & Youngstown	718	760	654	1,258	1,098
Baltimore & Ohio	48,531	43,347	36,697	29,304	30,419
Bessemer & Lake Erie	6,589	6,587	7,789	2,119	2,019
Buffalo Creek & Gauley	284	288	322	6	2
Cambria & Indiana	1,664	1,884	2,022	9	7
Central R. R. of New Jersey	7,210	7,276	6,340	21,378	20,728
Cornwall	544	674	642	64	61
Cumberland & Pennsylvania	234	312	267	10	10
Ligonier Valley	170	162	125	24	40
Long Island	1,342	1,121	821	3,620	3,911
Penn-Reading Seashore Lines	1,706	1,817	1,443	2,891	3,052
Pennsylvania System	89,637	86,228	80,046	69,024	70,524
Reading Co.	15,916	15,596	12,171	28,126	28,476
Union (Pittsburgh)	20,680	21,302	21,609	7,698	7,403
Western Maryland	4,255	4,461	3,926	12,517	11,988
Total	199,480	191,815	174,874	178,048	179,738
Pocahontas District—					
Chesapeake & Ohio	29,860	30,366	29,295	14,370	15,166
Norfolk & Western	22,201	23,081	23,638	8,112	7,019
Virginian	4,857	4,986	4,661	2,276	2,104
Total	56,918	58,433	57,594	24,758	24,289
Southern District—					
Alabama, Tennessee & Northern	269	268	387	427	314
Atl. & W. P.—W. R. R. of Ala	790	622	722	3,142	2,824
Atlanta, Birmingham & Coast	711	733	852	1,514	1,135
Atlantic Coast Line	11,773	12,563	13,056	9,699	10,204
Central of Georgia	3,922	4,076	3,696	5,618	5,355
Charleston & Western Carolina	432	462	477	1,887	1,885
Clinchfield	1,693	1,608	1,673	3,199	2,847
Columbus & Greenville	228	333	341	279	163
Durham & Southern	137	99	186	653	723
Florida East Coast	1,515	2,201	1,214	1,269	1,888
Gainesville Midland	53	40	33	164	90
Georgia	1,265	1,235	1,335	2,962	3,146
Georgia & Florida	395	343	334	721	541
Gulf, Mobile & Ohio	4,252	3,758	4,222	4,329	4,847
Illinois Central System	28,824	27,112	28,609	16,022	22,826
Louisville & Nashville	26,305	26,692	27,483	12,341	13,131
Macon, Dublin & Savannah	184	170	128	958	792
Mississippi Central	265	219	145	640	45
Nashville, Chattanooga & St. L.	3,408	3,332	3,844	4,412	5,057
Norfolk Southern	1,005	1,181	1,123	1,650	1,784
Piedmont Northern	390	364	360	1,201	1,197
Richmond, Fred. & Potomac	430	413	473	11,068	12,401
Seaboard Air Line	10,406	10,574	9,146	9,062	8,150
Southern System	23,855	21,501	23,943	25,302	25,993
Tennessee Central	764	686	676	865	875
Winston-Salem Southbound	154	125	100	1,258	880
Total	123,425	120,710	124,558	120,643	129,504
Northwestern District—					
Chicago & North Western	20,844	19,309	19,418	13,583	13,032
Chicago Great Western	2,713	2,751	2,151	3,412	3,180
Chicago, Milw., St. P. & Pac.	20,689	21,491	17,580	10,686	11,540
Chicago, St. Paul, Minn. & Omaha	3,494	3,308	3,316	3,653	3,758
Duluth, Missabe & Iron Range	26,499	27,141	28,064	195	237
Duluth, South Shore & Atlantic	767	1,014	790	565	524
Elgin, Joliet & Eastern	9,193	8,577	10,571	11,990	10,821
Ft. Dodge, Des Moines & South	377	452	511	118	105
Great Northern	23,437	24,643	20,028	7,699	6,911
Green Bay & Western	495	432	529	990	847
Lake Superior & Ishpeming	2,707	2,514	2,923	47	108
Minneapolis & St. Louis	2,101	1,695	1,769	2,745	2,161
Minn., St. Paul & S. S. M.	6,836	6,413	6,057	4,188	2,923
Northern Pacific	10,599	10,452	8,858	6,511	5,64
Spokane International	178	175	138	800	597
Spokane, Portland & Seattle	2,366	2,689	1,984	3,005	3,495
Total	133,295	133,056	124,687	70,187	65,882
Central Western District—					
Atch., Top. & Santa Fe System	24,024	23,298	21,660	12,112	13,001
Alton	3,130	2,770	2,950	3,972	6,569
Bingham & Garfield	434	472	748	72	110
Chicago, Burlington & Quincy	18,416	17,404	13,495	12,556	11,798
Chicago & Illinois Midland	3,372	3,173	2,564	839	491
Chicago, Rock Island & Pacific	10,934	12,192	10,622	12,863	13,501
Chicago & Eastern Illinois	2,707	2,489	2,129	6,113	5,922
Colorado & Southern	574	731	675	2,518	2,002
Denver & Rio Grande Western	3,553	3,429	2,618	5,812	6,204
Denver & Salt Lake	622	649	566	17	14
Fort Worth & Denver City	765	768	1,205	1,631	2,586
Illinois Terminal	2,098	1,465	1,852	2,136	1,350
Missouri-Illinois	971	755	1,081	533	151
Nevada Northern	1,667	2,109	2,034	127	121
North Western Pacific	915	1,096	862	734	720
Peoria & Pekin Union	1	0	5	0	0
Southern Pacific (Pacific)	30,600	32,648	25,446	13,943	14,140
Toledo, Peoria & Western	287	326	249	1,977	1,990
Union Pacific System	14,172	13,050	11,083	18,624	16,602
Utah	505	554	483	5	5
Western Pacific	2,276	2,273	1,524	4,468	3,528
Total	122,023	121,651	103,851	101,052	100,805
Southwestern District—					
Burlington-Rock Island	267	867	151	460	723
Gulf Coast Lines	6,613	3,399	4,525	2,598	2,606
International-Great Northern	2,279	3,399	2,966	3,803	3,529
Kansas, Oklahoma & Gulf	299	208	378	1,020	210
Kansas City Southern	6,609	4,866	5,512	2,804	1,696
Louisiana & Arkansas	3,458	3,838	4,136	2,788	3,210
Litchfield & Madison	411	381	332	1,268	1,162
Midland Valley	641	243	756	556	229
Missouri & Arkansas	158	125	119	382	311
Missouri-Kansas-Texas Lines	6,284	4,927	4,352	5,051	3,208
Missouri Pacific	16,003	12,020	14,274	20,178	20,680
Quanah Acme & Pacific	81	58	101	366	17
St. Louis-San Francisco	8,745	7,765	8,445	8,966	12,681
St. Louis Southwestern	3,056	3,040	2,715	7,509	6,135
Texas & New Orleans	12,836	12,939	9,830	5,009	4,510
Texas & Pacific	4,710	4,854	4,180	7,098	9,223
Weatherford M. W. & N. W.	112	85	155	103	44
Wichita Falls & Southern	21	25	30	23	8
Total	72,583	63,039	62,957	69,982	70,344

Note—Previous year's figures revised.

Weekly Statistics Of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period	Orders Received	Production Tons	Unfilled Orders Remaining	Percent of Activity	
1944—Week Ended	Tons		Tons	Current	Cumulative
Feb. 5	185,069	151,102	628,048	97	93
Feb. 12	154,797	151,870	630,449	97	94
Feb. 19	130,252	148,533	609,429	96	94
Feb. 26	151,980	139,044	621,875	93	94
March 4	178,375	146,926	650,606	95	94
March 11	152,627	144,761	655,682	95	94
March 18	136,105	150,940	639,537	95	94
March 25	125,806	147,604	613,978	97	94
April 1	138,724	141,959	607,537	93	94
April 8	179,056	144,422	635,727	94	94
April 15	145,936	143,883	636,176	92	94
April 22	138,712	158,871	610,555	93	94
April 29	147,768	156,041	601,880	98	95
May 6	186,666	158,534	628,495	98	95
May 13	144,921	150,435	620,728	95	95
May 20	140,287	157,370	602,062	97	95
May 27	138,501	155,105	582,090	96	95

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

Mahan Nominated For President Of M. B. A.

L. E. Mahan, St. Louis mortgage bankers and President of L. E. Mahan & Co., has been selected as the official nominee for next President of the Mortgage Bankers Association of America, according to an announcement on June 2 by the organization's nominating committee headed by Charles A. Mullenix, Cleveland. Mr. Mahan's nomination was submitted to and approved by the Association's Board of Governors at their regular spring meeting at Chicago June 2 at the Drake Hotel. Nomination is tantamount to election, which will take place at the annual business meeting at the Edgewater Beach Hotel, Chicago, October 18, 19 and 20. He will succeed H. G. Woodruff, Detroit.

Mr. Mahan's association with the Mortgage Bankers Association as an active member covers more than two-thirds of the organization's history. He became a member in 1924 and was elected to its Board of Governors three years later. He has served in that capacity or as regional Vice-President or Vice-President since that time. During this period he has served on, or acted as Chairman of, more than 20 Association committees. Mr. Mahan has been in mortgage banking since 1915 when he became associated with the Mississippi Valley Trust Co., St. Louis, in the farm loan department. Since 1919 he has devoted his attention to the city loan field, having been an officer of the First National Co., and President of the Real Estate Mortgage Trust Co., both of St. Louis.

During World War I he was called to Washington to take charge of all real estate and mortgages in this country and possessions taken in connection with the Trading With the Enemy Act. He organized L. E. Mahan & Co. in 1931. He was one of the founders of the Mortgage Bankers Association of St. Louis and the Mortgage Bankers Legion, affiliate of the national Association. He is a director of the Paramount Fire Insurance Co., New York, and of St. Louis Fire & Marine Insurance Co. of St. Louis. He also serves on the boards of several other corporations.

ABA Booklet On Safekeeping

Responding to many requests received for information on ways in which safekeeping service for war bonds is being given to the public, the Bank Management Commission of the American Bankers Association has published a new booklet on safekeeping. The 20-page booklet contains articles published on this subject in several banking magazines, including "Banking," "Bankers Monthly," and "Burroughs Clearing House." It also contains short articles on what individual banks are doing, and carries reproductions of the forms that they are employing in this service. Examples are given of the methods used by banks in Hillsboro, Oregon; St. Joseph, Mo. Phoenix, Ariz; Rochester, N. Y.; Plainfield, N. J.; Manchester, Conn., and Hilton Village, Va. In addition it has a symposium of opinion on this subject contributed by many banks.

In a foreword to the booklet, the Bank Management Commission disclaims any intention of promoting the safekeeping practice. At the same time it recognizes the scarcity of safety deposit boxes and the necessity that banks have for providing some plan of safekeeping service to the public during the emergency. It has met this problem it says by publication of this booklet containing the experience of banks in this field.

Items About Banks, Trust Companies

Manufacturers Trust Co. of New York announces that William J. Cuddihy, Frederick G. Rudolph and Helmuth T. Swenson, all of whom have been associated with the bank's corporate trust department for a number of years, have been appointed Assistant Trust Officers. Mr. Cuddihy is located at the bank's stock transfer department at 80 Broad Street, New York. Messrs. Rudolph and Swenson are in the corporate trust department at 45 Beaver Street, New York.

Lieut. Richard Harold Sperry, a bomber pilot who was killed on Jan. 11, 1944, while on a mission over Europe, was awarded the postumous degree of Master of Business Administration at the 112th Commencement of New York University on June 7. In announcing this on June 2, Chancellor Harry Woodburn Chase stated that Lieut. Sperry, son of Mr. and Mrs. Harold Sperry of Norwalk, Conn., had completed all of the requirements for the degree with the exception of the final thesis before entering the Army Air Corps three years ago. A graduate of Yale University (1936), he had been affiliated with the Irving Trust Co. while attending classes at the New York University Graduate School of Business Administration at 90 Trinity Place.

William L. Schneider, Vice-President of Manufacturers Co. of New York, died suddenly on May 30 at his home in Brooklyn. He was 66 years old and had been with the bank for 50 years. Mr. Schneider was born in Brooklyn. He began his banking career in 1894 with the former Broadway Bank of Brooklyn. When that bank merged with the Citizens Trust Co. in 1912, Mr. Schneider was appointed an Assistant Secretary of the institution. In 1915 The Citizens Trust Co. merged with Manufacturers Trust Co. In 1919 Mr. Schneider was appointed Secretary of Manufacturers Trust Co. and in 1912 Vice-President. From 1929 until his death Mr. Schneider was in charge of the bank's legal and insurance department.

John P. Stevens, Jr. was elected a member of the Board of Trustees of Central Hanover Bank and Trust Company, New York, at a regular meeting of the Board held on June 6. Mr. Stevens is President of the J. P. Stevens Company, Inc., a textile commission house founded by his father in 1899. He is engaged in various civic and charitable activities, notably the Red Cross War Fund of which he was Vice-Chairman for the Greater N. Y. 1943 Drive and Chairman of the Greater N. Y. 1944 Drive. At present he is Director of the Payroll Savings Division of the War Savings Staff, Treasury Department. Mr. Stevens is a graduate of Yale University and Harvard Law School, and lives in Plainfield, New Jersey.

The New York State Banking Department announced on May 26 its approval of an increase in the capital stock of Pan American Trust Co., 70 Wall Street, New York. The increase will be from $700,000, consisting of 28,000 shares of par value $25, to $1,000,000, consisting of 40,000 shares of par value $25. Previous reference to the increase in the capital appeared in our issue of May 25, page 2182.

S. Sloan Colt, President of Bankers Trust Co. of New York announces that at a meeting of the Board of Directors held June 6, Robert C. Patterson was elected Assistant Vice-President. He will assume his duties with Bankers Trust Co. on Sept. 1. Mr. Patterson is at present Chief Administrative Officer and Chairman of the Review Committee of the RFC Price Adjustment Board, handling renegotiations of war contracts for the Defense Plant Corporation, Defense Supplies Corporation, Metals Reserve Company and the Rubber Reserve Company.

Mr. Patterson was born in Portland, Maine, in 1897. He graduated from the University of Michigan with the Class of 1918. He spent 10 years in South America for the National City Bank of New York and other companies. Later, for several years, he entered the field of auditing and accounting, and in this capacity was connected with the General Motors Corp. for five years. In 1935 he joined the Bureau of the Budget in Washington where his work was primarily with Government corporations.

Gilbert C. Barrett, a trustee of the Brooklyn Savings Bank of Brooklyn, N. Y., since 1941, has been elected Vice-President by the Board of Trustees. He has been with the bank 32 years. Warren E. Garretson has been elected Controller and Leslie G. Cheshire, Cashier. Howard C. Peck, Vice-President, has retired from the bank after 38 years of service, the announcement stated.

Adrian Van Sinderen, President of the bank, has also announced the election of Joseph W. Catharine and Meredith C. Laffey to the bank's Board of Trustees. Mr. Catharine is President of the Chauncey Real Estate Co. of Brooklyn and Mr. Laffey is Second Vice-President of the Equitable Life Assurance Society of the United States.

Shareholders of the Cumberland National Bank of Bridgeton, N. J., which, it is said is the oldest banking institution in south Jersey, will meet on June 8 for the purpose of taking action on a proposed plan, approved by the Comptroller of Currency, for an increase of the common stock of the bank from $200,000 to $300,000 by the declaration of a $100,000 stock dividend; for a further increase of the common stock of the bank from $300,000 to $400,000, to be accomplished by the sale at par, of 100 additional shares of such stock at the par value of $100 each; also for the retirement of all outstanding preferred stock "A" and preferred stock "B" of the bank, after the common stock has been increased to $400,000, as aforementioned. We quote the foregoing from the local Bridgeton newspaper, in which it was also stated:

"The shareholders will also act on a complete new set of articles of association for the bank in which there will be no reference to preferred stock of any class. The new articles of association, the approval of which, along with the other provisions referred to, seem assured, will become effective upon the retirement of the outstanding preferred stock, the articles providing for the indicated readjustment of capital and for a requisite affirmative vote of the holders of at least a majority of the stock of the bank to further amend the articles, subject to the provisions of the national banking laws."

George E. Diament, President of the bank, is quoted as saying:

"The common shareholders have not received a cash dividend since January, 1933, but we have accumulated reserves for the common shareholders in the amount of $100,000, which will now be paid to them as a stock dividend of one share for each two shares presently owned, at no cost to them. This is equal to about a 4% return on the par value of their stock since 1933.

"The Board of Directors has declared a cash dividend of 2% payable Aug. 1, 1944, on all common stock of record on June 15, 1944."

The directors of the Mellon National Bank of Pittsburgh, Pa., have added $2,500,000 to surplus, increasing that fund to $35,000,000. The capital is $7,500,000, which now gives the bank a capital and surplus of $42,500,000.

The Toledo "Blade" of May 27 reported the organization of the State Bank of Toledo, to replace the Financial Securities Corp., with a special plan bank. Announcement, it is said, was made by C. H. Speck, President of the Financial Securities Corp. The bank will have a capital of $200,000 and a paid-in surplus of $50,000, he said.

In the course of the reorganization most of the preferred stock of the Financial Securities Corp. will be paid off and redeemed, Mr. Speck said.

From the Toledo "Blade" we also quote:

The Financial Securities Corp. has been in business nearly 16 years. Mr. Speck said the new bank will specialize in making personal loans to individuals and in purchasing installment contracts from dealers. The new bank also will operate a savings department and offer commercial accounts.

Application of the new bank to become a member of the Federal Deposit Insurance Corp. was approved in Washington yesterday.

While the preferred stock of the finance company will be liquidated July 1, the new banking institution is expected to open at a later date.

Officers of the securities corporation are Mr. Speck, President; K. D. Keilholtz, Vice-President; W. L. Alexander, Jr., Secretary-Treasurer, and G. D. Lehmann, Assistant Secretary.

The Bank of Urich, Urich, Mo., became a member of the Federal Reserve Bank on May 31, according to an announcement by the Federal Reserve Bank of St. Louis, which also said:

"The new member started operations as a private bank in 1886, and was incorporated in 1888. It has a capital of $25,000, surplus of $6,000 and total resources of $692,622. Its officers are: A. H. Harvey, President; F. N. Erwin, Vice-President; W. H. Erwin, Cashier, and E. E. Erwin, Assistant Cashier. The addition of the Bank of Urich brings the total membership of the Federal Reserve Bank of St. Louis to 466. These member banks hold over 70% of the net deposits of all banking institutions in the Eighth District."

Beverly D. Harris has retired as President of the Second National Bank of Houston, Texas, a post he had held since 1932. According to Col. W. B. Bates, Chairman of the Board of Directors, Mr. Harris will continue to be connected with the bank in an advisory capacity. Lewis Randolph Bryan, Jr., Executive Vice-President, who has been with the bank for 25 years, has been elected to succeed Mr. Harris in the Presidency. The local newspaper reports that Mr. Bryan joined the Second National Bank then Lumbermen's National Bank as Assistant Cashier July 15, 1919. In 1942 he was elected Executive Vice-President. It is added:

"In addition to his banking duties, Mr. Bryan has served as director of the Fort Worth & Denver City Ry. Co. and is a past director and Treasurer of the Houston Chamber of Commerce and past director and Treasurer of the Houston Community Chest.

"He is now Vice-President and Chairman of the Finance Committee of the Sam Houston Area Council, Boy Scouts of America, and is directing the Camp Strake improvement drive which is nearing a successful conclusion. He is Chairman of the Civil Service Commission of the City of Houston; Treasurer of the Houston Council, Navy League of the United States; Vice-Chairman of the Military Affairs Committee of the Houston Chamber of Commerce; member of the Houston Club.

"For many years he served as Assistant Chief-of-Staff of the 36th Division, Texas National Guard, retiring in 1938 as Brevet Colonel.

"Mr. Bryan, who was born in 1892, joined the Army in 1917, was commissioned a Captain of Infantry; served overseas during World War I with the 36th Division and was promoted to Major at the front."

From the same newspaper account it is learned that Mr. Harris, in retiring, brings to a close what his associates at the Second National Bank say is one of the longest banking careers of any man in Texas. He served eight banks a total of 57 years. He tops by two years the record of Nathan Adams of Dallas, who retired a few years ago, after serving for 55 years in the same bank, in which both he and Mr. Harris started—the American National Bank, his friends report. The advices from which we quote also said:

"Mr. Harris began his career with the Dallas bank in 1887 when he was 15. He was with that bank for a number of years and moved to Houston in the early part of the present century. He was President of the South Texas National Bank at the time, shortly before World War I, that it merged with the Commercial National Bank to form the South Texas Commercial National Bank.

"He later went to the National City Bank of New York, and became ranking Vice-President of that institution, leaving about 1925 to become President of the Monsanto Chemical Co. Mr. Harris returned to Houston in 1927.

"At the invitation of the late Samuel Fain Carter, then President of the Second National, Mr. Harris joined the local bank that year as Active Vice-President. He was named Senior Vice-President the following year.

"In 1932, upon the retirement of Guy M. Bryan, he was elevated to the Presidency, having served in that capacity for the succeeding 12 years.

Mr. Harris was co-Chairman with George V. Rotan in the campaign for the Cruiser Houston war bond sales in December, 1942.

The Board of Governors of the Federal Reserve System reports that the Bank of Aberdeen, Aberdeen, Idaho, a State member bank, has been absorbed by First Security Bank of Idaho, National Association of Boise, Idaho, effective May 22.

Paul S. Dick, President of the United States National Bank of Portland, Ore., announced, following the regular monthly meeting of the Board of Directors on May 26, the following promotions from the position of Assistant Vice-Presidents to Vice-Presidents: Charles R. Harding, E. J. Kolar and A. L. Powers.

President Intimates He Will Run Again

An intimation that President Roosevelt plans to run again for President was contained in his remarks at his press conference on May 26 in indicating that he hoped to see Prime Minister Churchill some time this summer, or in the autumn, or in the late spring. According to advices to the New York "Herald Tribune" from its Washington bureau it was stated that the President dropped the remark that time will tell whether he will run again. As to what he had to say about seeing Mr. Churchill then, these advices said:

His reference obviously was to next autumn and to next spring. Not a single reporter present was fast enough on the trigger to ask Mr. Roosevelt whether he meant that he expected to be President whether the meeting was in the summer, the autumn, or the late spring.

Today's Democratic political story began when a reporter reminded Mr. Roosevelt that he had so far received more than enough delegates to assure his renomination; that is, unless he refused it.

Mr. Roosevelt began to laugh and the reporter went on the defensive.

"Now, I'm not asking you whether you have reached a decision," the reporter said, his voice rising. "I'm asking whether you can tell us when you will reach a decision."

President Roosevelt, still laughing, said that was a good question; that he was awfully interested in the variety of ways in which the question has been put; that he was making a list of them.

"You have only 54 days of time left," said a second reporter, referring to the time remaining before the Democratic National Convention.

President Roosevelt kept on laughing. He said it reminded him of a woman in 1940, and then he told about the slogan that turned out to have diminishing returns.

Another reporter tried another tack.

He wanted to know whether Mr. Roosevelt had been notified of his nomination for President by the Liberal party in New York.

President Roosevelt said he had been notified in very intimate terms by 90% of the press and that the notices were still coming in.

Later Washington advices (Associated Press) May 30 stated:

President Roosevelt dropped another hint today that he may be planning a conference with Prime Minister Churchill of Great Britain, but smilingly made it clear that his plans in that direction do not go beyond the end of his present term on Jan. 20.

His use last week of the phrase "late spring" in discussing a possible Churchill meeting, Mr. Roosevelt said, was a slip of the tongue. In referring to possible meeting times at last Friday's (May 26) news conference Mr. Roosevelt had mentioned three seasons: this summer, the fall or late spring. He told the conference today that he had not meant to be technical and that he had always regarded June, July and August as the summer time.

Drastic Tax Cut At End Of War Urged

The New York Chamber of Commerce at its monthly meeting June 2 adopted a report presented by Peter Grimm, Chairman of the Committee on Taxation, urging a drastic cut in taxes at the end of the war in order to insure the continuance of free enterprise. Mass employment through Government spending for public works would not solve the post-war employment problem, the Committee said in presenting three recommendations based on sufficient revenue being raised to meet a balanced peace-time budget:

"(1) That a substantial reduction be made in individual income taxes in all brackets so that encouragement may be given to individual initiative, and individual investment of risk capital in enterprises in order that these factors may be effective in increasing employment;

"(2) That the corporation income taxes be reduced;

"(3) That the excess profits tax on corporations be repealed in order to encourage expansion, initiative and more jobs in business enterprise.